

FINANCIAL TIMES

Shipbuilding

Europe corners
luxury liner market

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Emu surprise

Problems at the core,
not at the periphery

Samuel Brittan, Page 16

Oil production

Tiny state hopes
to copy Kuwait

Page 10

Today's surveys

Winter Olympics
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Separate section

World Business Newspaper <http://www.ft.com>

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Mastering Global Business

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WORLD NEWS

Brussels sets out plans for new global internet charter

The European Commission unveiled plans for an international communications charter as part of its aim to establish global standards for business on the internet. It would encourage co-operation between governments on legal and technical issues affecting the internet, such as data protection, copyright, taxation and pornography. Page 18

Silver hits high on Buffett buy
Silver prices reached a 94-year high of about \$7 an ounce on the news that Warren Buffett, one of America's most respected investors, had bought around 16 per cent of annual consumption of the metal. Page 18; Special report, Page 25; Editorial Comment, Page 28; See Lex

Yeltsin backs fiscal package
In an effort to reassure international investors, Russian president Boris Yeltsin has backed a tough fiscal plan. Page 2

Paris backs down on aid plan
France's socialist-led government approved a reform of the country's overseas aid policy. Page 2

Italian banks seek pay freeze
Alcohol and drug abuse at work costs the world's industrialised economies billions of dollars a year in lost output. Page 10

New Israeli settlement
Israel's interior ministry confirmed it had approved plans for a new Jewish settlement in East Jerusalem, a decision that could "kill the peace process". Page 10

US drug growth slows
The growth rate in sales of prescription drugs in the US, the world's biggest market, slowed in the year to November, according to new data. Page 4

Argentina in \$2.5bn IMF deal
The board of the International Monetary Fund in Washington was set to approve a three-year \$2.5bn extended fund facility for Argentina. Page 6

Japan resumes defence talks
China and Japan took a significant step towards improving relations when they agreed to resume defence discussions after more than eight years. Page 8

China to finance housing loans
China will allocate ¥100bn (\$12bn) for housing loans this year to encourage home ownership and spur the fledgling residential property market. Page 8

New future for mobile phones
Mobile phones are set to be used by 2000 for sending and receiving electronic mail as far as making telephone calls. Page 2

Fur flies over Winnie the Pooh
As UK prime minister Tony Blair met senior officials in Washington, MPs in London launched a campaign to repatriate Winnie the Pooh, Tigger, Kanga, Eeyore and Piglet, the toys on which A.A. Milne based his Christopher Robin stories, from their "glass case prison" in New York City Library. Page 18

BUSINESS NEWS

US launches export credit scheme for Asian countries

The US has launched an international initiative to provide export credit finance to Asian countries facing difficulties importing goods and components. The announcement by deputy treasury secretary Larry Summers follows a proposal from Goh Chok Tong, prime minister of Singapore, and an initiative by Australia. Page 6; Hearing the whirlwind, Page 17; End of the beginning, Page 19

Nestlé, the Swiss foods group, returned to its acquisitive ways with a \$715m (\$1.2bn) cash purchase of the Spillers petfood business from Dalgely of the UK. The deal, subject to clearance, would give Nestlé 20 per cent of the European branded petfood market. Page 19; Lex, Page 24

Saab, the Swedish carmaker, announced more losses after costs on new models. The company, 50 per cent owned by General Motors, saw pre-tax losses deepen from SKr1.18bn to SKr1.65bn (\$220m) last year. Page 20

KLM, the Dutch airline, is considering a buy-back of the government's 26 per cent stake. It is keen to reduce a cash pile which reached F12.9bn (\$1.4bn) at the end of last year. Page 20

Brussels house has launched an inquiry into possible price manipulation by index-linked funds, which have been credited with boosting the bourse's Bel-20 share index. Page 25

Indesat, the Spanish power group, has launched acquisitions in Brazil that will test its relationship with Enxers, the Chilean electricity company it took control of last year. Page 19

Roche, the Swiss pharmaceuticals group, has won European Union clearance for its \$11bn takeover of Corange, a private Bermuda-based company which owns the German diagnostics company Boehringer Mannheim. Page 20

Meda, the Swedish pulp and paper group, blamed currency hedging and volatile product prices for a fall in full year profits from SKr2.92bn (\$370m) to SKr2.05bn last year, even though sales rose from SKr21.5bn to SKr21.9bn. Page 19

Foreign investors will be able to make hostile takeover bids for South Korean companies in a move designed to force the nation's leading conglomerates, or chaebol, to restructure. Page 8

Petrol, the largest Philippine petrol group, slid into the red for the first time in 22 years. It blamed its 1997 net loss of 631m pesos (\$15.7m) on the collapse of the currency. Page 22

Sabon group of Japan is set to sell assets including the Inter-Continental Hotels and Resorts group to cover bad debts. Page 22

Jardine Fleming, the Hong Kong-based investment bank, is set to buy a part of the assets of Peregrine Asset Management, the fund management arm of the failed securities company. Page 22

Russian leader warns of 'world war' if military force is used

White House plays down Yeltsin fears over action on Iraq

By Chrystie Freeland in Moscow,
Roula Khalaf in Washington
and John Kampner in London

The US yesterday sought to play down a startling outburst by Russian president Boris Yeltsin in which he warned that Washington's threat to take military action against Iraq could lead to "world war".

"We must try... to make Clinton feel that, with his actions in Iraq, he can lead to a world war," Mr Yeltsin said during a televised meeting with one of his ministers in the Kremlin.

Mr Yeltsin's tough words on the issue of weapons inspections followed a resolution by the Russian parliament which urged Russia to break United Nations sanctions against Iraq if the US moved against Baghdad without UN approval.

But his inflammatory comments seemed at odds with his usual efforts to maintain warm ties with western leaders, including US president Bill Clinton.

Kremlin officials made some effort to backtrack yesterday, saying some US journalists had distorted the president's words

and come to the mistaken conclusion that Russia was threatening to defend Iraq militarily.

Mike McCurry, the White House spokesman, also insisted that the remarks had been poorly translated.

But Mr Yeltsin's televised and recorded comments were clear in their criticism of the US.

Government bond markets, often a haven during military

confrontations, fell sharply in the immediate wake of Mr Yeltsin's comments but recovered some ground later. The impact was felt most in the German market, but - having ignored the Iraqi crisis until yesterday - all the main European markets ended slightly lower.

"One must be more careful in this world saturated with all sorts of weapons which are sometimes in terrorists' hands," Mr Yeltsin said. "It is all very dan-

gerous... Well now [some people are saying] let us flood it all with planes and bombs."

Mr McCurry said no timetable or deadline had yet been set for an attack, but "if and when the president decides that we need to pursue a military option, military planning will be made by the very skilled people that work at the Pentagon."

The state department, however, cautiously welcomed hints of Iraqi flexibility following reports on the CNN television network, attributed to unnamed Iraqi officials, that President Saddam Hussein had offered to open up eight presidential sites to inspections for one month.

Amr Moussa, the Egyptian foreign minister, said his Iraqi counterpart had told him Baghdad was moving towards such a decision.

"The Iraqis seem to be moving toward some recognition that their blocking of so-called presidential sites is untenable," James Rubin, state department spokesman, said.

"This shows the necessity of standing firm. It shows the necessity of our determination and our



Russian president Boris Yeltsin during a televised Kremlin meeting as he made critical comments about the US stance on Iraq

united resolve that the Iraqi regime comply fully and unconditionally with the UN security council resolutions."

But the proposal did not meet the condition that UN inspectors must have full and unfettered access to weapons sites.

Mr Yeltsin spoke yesterday on the telephone with Tony Blair, the British prime minister, before Mr Blair left for talks with the US administration in Washington. The Russian president reiterated his strong opposition to military action against Iraq.

Reuters shares up after assurance of limited damage

By Christopher Price
and John Gapper in London

Reuters Holdings, the financial information group, yesterday tried to reassure investors that it faced limited damage from a US criminal inquiry into whether it had stolen data from Bloomberg, one of its competitors.

Shares in the group jumped by 40p to 560p - restoring about 900m of the £1.6bn market value it lost after the inquiry was disclosed last week - after it said it did not expect to have to withdraw any products as a result.

Reuters said it had hired a New York agency - thought to be Cyberspace Research Associates - to undertake competitor analysis of Bloomberg's products rather than steal proprietary software from Bloomberg.

However, it admitted that US investigators were examining whether its Reuters Analytics subsidiary in Stamford, Connecticut, had "induced" the agency to provide Bloomberg data to Reuters in breach of subscription agreements.

Reuters has been trying to raise its presence in the market for US bond information, in which Bloomberg is a leader. Its investment in Reuters Analytics, which has grown rapidly in the past three years, was part of this strategy.

Its statement to the London Stock Exchange came after days of US press reports suggesting

that Reuters was being investigated for encouraging an agency to carry out illegal electronic espionage of Bloomberg.

In its statement, which was approved by US investigators, Reuters said the inquiry was examining whether any Bloomberg data obtained by Reuters Analytics had been "improperly incorporated into Reuters products".

It had "no knowledge" of any attempts to break into Bloomberg's computers in order to copy its proprietary operating systems. It also did not believe this was the focus of the inquiry.

The company said it did not believe it would have to stop selling any products. There had been speculation that it might have to limit sales of Reuters 3000, its latest generation of products.

However, it added that should any proprietary information belonging to Bloomberg be discovered in Reuters products, "remedial action" would be taken.

The statement confirmed that the inquiry was not limited to Reuters Analytics, but extended to other areas and individuals within the group. The company refused to comment further on any part of the statement.

Bloomberg declined to comment on the inquiry. Cyberspace Research Associates did not return calls.

Bad news for Reuters, Page 24

Stora chairman faces call to quit

By Greg McIvor in Stockholm

Bo Berggren, chairman of Stora, the Swedish forestry group controlled by the Wallenberg family, yesterday faced calls from minority shareholders for his resignation in a future over a severance package for the company's departing chief executive.

Mr Berggren, one of the top figures in the Wallenberg industrial empire, was called on to quit when it emerged that Lars-Ake Helgesson, Stora chief executive, would receive a remuneration package totalling SKr64m (\$7.9m) after he leaves the group next month.

The row prompted Göran Persson, Sweden's prime minister, to accuse Stora of "insensitivity" in the face of public indignation at executive pay levels. The controversy comes shortly after Swedish forestry workers accepted a 2.5 per cent pay rise.

Mr Helgesson, 56, who has headed Stora since 1992, announced in December he would leave his post at the annual meeting in March.

His position had been seen as vulnerable following the appointment last year of Percy Barnevik as chairman of investor, the key Wallenberg investment vehicle. Mr Barnevik has vowed to shake up under-performing companies.

Under Mr Helgesson, Stora lost its position as Europe's largest forestry group and averaged a 5.8

per cent annual return on equity. Stora claimed originally that Mr Helgesson was leaving the company at his own behest. But it emerged yesterday that he felt obliged to stand down. "He did not choose to go... this has been badly handled," said one institutional investor.

Mr Berggren admitted the resignation had been triggered by unspecified "differences of opinion" between him and Mr Helgesson.

Aktiespararna, Sweden's influential small shareholders' association, said Mr Helgesson should not receive severance pay for quitting voluntarily. Such

Continued on Page 18

Markets

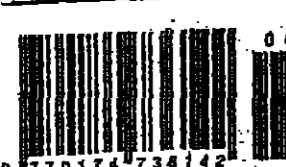
STOCK MARKET INDICES

New York Composite	5,730.20	(-30.15)
Dow Jones Ind. Av.	5,677.24	(-10.90)
NASDAQ Composite	1,082.26	(-12.77)
Europe and Far East		
FTSE 100	4,088.50	(-42.97)
Nikkei 225	10,822.62	(-140.30)
US LUNCHTIME RATES		
Prime Rate	5.25%	
3-month T-bill	5.145%	
Long bond	10.03	
Yield	5.89%	
OTHER RATES		
US 3-month	7.75%	(7.74)
US 10 yr	108.2813	(108.272)
France 10 yr	102.84	(102.81)
Germany 10 yr	108.52	(108.51)
Japan 10 yr	108.32	(108.11)
WORTH OIL OIL (Average)	\$14.516	(14.77)

GOLD

Gold Price (per ounce)	\$300.0	(20.8)
Gold Price (per gram)	\$9.655	(27.28)
EXCHANGE RATES		
Dollar		
New York London	1.6575	
DM	1.9007	
FF	6.0037	
SP	1.682	
Y	122.6	
London		
£	1.6528	(1.6428)
DM	1.9002	(1.8918)
FF	6.0055	(6.0068)
SP	1.680	(1.6714)
Y	124.06	(123.215)
Tokyo close		
Shilling		
DM	2.985	(2.9878)

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A Breguet watch has a unique responsibility; it comes to you carrying the name of Abraham-Louis Breguet, the greatest watchmaker ever known. You will recognise it by the legendary "Breguet" hands, the shimmering guilloché dial, and the finely fluted case band that give your Breguet its strong character. Most important, it will house a hand-finished movement, as magnificent and inventive today as two hundred years ago. Wear it with pride, you have chosen an exceptional watch.

Bad news for Reuters, Page 24

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Nationalists increase hold on Armenia

By Selina Williams

The risk of renewed conflict in Azerbaijan's disputed enclave of Nagorno-Karabakh increased yesterday, as nationalist politicians strengthened their hold on the neighbouring state of Armenia.

Fighting in the mainly Armenian-inhabited enclave claimed thousands of lives after it broke away from Azerbaijan in the 1980s. A ceasefire in 1994 brought a fragile peace.

But efforts for a permanent settlement have taken a blow with the resignation of Levon Ter-Petrosyan, the Armenian president, who had waged a furious battle with nationalist critics inside and outside his administration.

"We will take a much tougher line on any future negotiations on Nagorno-Karabakh," the Armenian defence minister, Vazgen Sargsyan, said yesterday. "The best way to keep the peace is to be ready for war."

Haydar Aliyev, president of Azerbaijan, yesterday said his country would continue to observe the Nagorno-Karabakh ceasefire.

But he added: "We follow with concern the situation in Armenia that has developed since the resignation of President Levon Ter-Petrosyan."

Robert Kocharyan, Armenia's nationalist prime minister, who led Nagorno-Karabakh from 1993 to 1997, will replace Mr Ter-Petrosyan as head of state until elections on March 15.

Mr Ter-Petrosyan fell after nearly half his parliamentary supporters defected to a nationalist faction which contains many veterans of the Nagorno-Karabakh war and supports



the defence minister. Effective control of Armenia is now in the hands of Mr Kocharyan. However, according to the constitution, he cannot run for the presidency because he is technically a citizen of Azerbaijan.

Both Mr Kocharyan and Mr Sargsyan fell out with Mr Ter-Petrosyan over his endorsement last year of a peace plan for the disputed region, which they say made too many concessions to Azerbaijan.

Under the plan's proposals, ethnic Armenian Karabakh forces would have given up six regions of Azerbaijan which they have captured. International peacekeepers would then move in and the status of Nagorno-Karabakh would be decided later.

The prospects for the plan, which was backed by the Organisation for Security and Co-operation in Europe, now look very poor. However, Mr Kocharyan played down the importance of the changes in the Armenian capital. "Everything is quiet in Nagorno-Karabakh. The situation in Yerevan has not affected the one in Karabakh," he said.

Simitis takes on the public sector unions

The move marks the start of reforms to keep confidence in the drachma, says Kerin Hope

Union leaders at Greece's public enterprises once liked to boast of their success in winning extravagant wage concessions from timid managers appointed by the government merely to hand out subsidies and avoid politically costly strikes.

Now Costas Simitis, the Socialist prime minister, has challenged the unions' grip on public sector enterprises.

The confrontation marks the launch of long-awaited structural reforms necessary to maintain confidence in the drachma and keep alive Greece's chances of qualifying for the European Union's single currency in 2001, two years after the euro's planned launch.

Despite defections by Socialist deputies, parliament has now approved legislation to restrict collective bargaining rights at four state-controlled corporations with a track record of high deficits and stormy union-management relations.

International institutions stress Greece must take radical measures to curb spending, to consolidate gains from improved revenue collection, and a sharp fall in annual inflation, which slowed to 4.7 per cent in December.

A report last month by Salomon Smith Barney said:

"A much greater reduction in the scope of public sector activities than currently envisaged would improve fiscal prospects and economic efficiency."

The Socialists' campaign to impose financial discipline on state enterprises, the country's biggest employers, should speed Greece's catch-up effort with its partners. It is the only EU member that has not achieved any of the targets for participating in monetary union.

Tighter management of public-sector enterprises is important for reaching this year's target of cutting the budget deficit to 2.5-2.8 per cent of gross domestic product, just below the EU's 3 per cent requirement.

The move against the unions reflects the government's determination to protect the stability of the drachma, under repeated attack during the turmoil in Asia's financial markets.

The drachma is pegged to the Ecu, to reduce imported inflation and attract investment from abroad in Greek government securities. But Greece's reluctance to impose spending curbs had fuelled speculation that the reform effort would run out of steam and expose the underlying weaknesses of its service-based economy.



Workers at a protest called by the Confederation of Labour in Athens on Monday

The pace of privatisation has been slow, and the Socialists have focused on trying to reduce public sector employment through attrition and by seeking private-sector managers to improve management at all 36 state corporations.

Mr Simitis's close links with the unions, his main supporters in the battle for control of the Socialist party

two years ago, made the government wary of trying to limit their influence.

But the prime minister ran out of patience after union intransigence wrecked his attempt last year to win consensus on labour market reforms through a "social dialogue" with the government and private sector employers.

"The unions had grown

used to getting their own way," said an Athens-based consultant. "There's a high turnover among managers of public enterprises. Until recently, they have mainly been amiable professors who couldn't stand up to union bosses."

The new legislation limits the unions' bargaining rights on pay rises, overtime and other benefits, and

opens the way for compulsory transfers of workers at state-controlled corporations. Government advisers say it will lead to more flexible working practices.

The move was timed to coincide with the start of a round of wage talks. Last year, the public-sector unions won rises of up to 15 per cent, against a budget assumption of 10.5 per cent. This year's guidelines call for 4 per cent increases, matching the projected average annual inflation rate.

The four corporations affected - Olympic Airways, the Post Office, the Hellenic Railways Organisation and the Athens bus company - have a "history of... the accumulation of very big deficits," said a government adviser, the heaviest loss-maker is the bus company, which has accumulated debts of over Dr700bn (\$2.4bn), equal to 2.1 per cent of gross domestic product.

The Post Office has racked up deficits since being split off from the state telecoms operator four years ago, while the slow pace of railway modernisation has led to a steady decline in passenger numbers.

After abandoning a restructuring plan agreed with the EU in 1994 in return for writing off Dr480bn in accumulated debt, Olympic Airways faces a deepening crisis. Theodoros Tsakirides, its new chief executive, said the company was seeking an emergency government loan to cover first-quarter operating expenses.

SPLIT LOOMS IN NEW DEMOCRACY PARTY

Greece's struggling conservative opposition party, New Democracy (ND), yesterday faced a possible split after three ex-cabinet ministers who abstained from Tuesday's parliamentary vote on labour union reform were expelled, writes Kerin Hope in Athens.

Stefanos Manos, an ex-economy minister and the party's strongest supporter of market reforms, had announced his support for the Socialists' attempt to crack down on the powerful public sector unions. Mr Manos, who launched Greece's privatisation programme in the early 1990s, had kept a low

profile since Costas Karamanlis, a 40-year-old lawyer supported by ND's populist wing, was elected as party leader last year.

His predecessor as economy minister, George Souflas, was also expelled, along with Nikos Kontogiannopoulos, a former education minister. The conservatives face a full-scale party rebellion against Mr Karamanlis, who has had little success in building a coherent policy platform and now appears to have lost the support of party elders who backed his leadership bid.

See Observer

Albanian opposition to end parliamentary boycott

By Kevin Done, East Europe Correspondent

Albania's opposition Democratic party, led by the former president, Sali Berisha, is to end its five-month boycott of parliament after coming under pressure from senior European officials.

A delegation from the European Parliament, the Council of Europe

and the Organisation for Security and Co-operation in Europe visited Tirana, the Albanian capital, two weeks ago and called on all parties to work together in drawing up a new constitution.

The Democrats have been boycotting parliament since last September, when one of their MPs was shot and wounded by a Socialist MP inside the parliament building.

Mr Berisha has repeatedly called on the five-party coalition government, led by the Socialist prime minister, Fatos Nano, to resign. He has insisted that new elections should be held.

Mr Berisha's Democratic party was defeated in the elections held last summer to end months of anarchy triggered by the collapse of a series of fraudulent pyramid

finance schemes. The European delegation rejected Mr Berisha's call for new elections, saying the main concern was to put the constitutional process back on track.

The drawing up of a new constitution has been made a priority by Mr Nano's government. A referendum in 1994 on a draft constitution compiled by the Democratic party was rejected amid claims by the

Socialists that it would have given Mr Berisha too much power.

"The Democratic party said its return to parliament marked 'the end of its non-participation protest'. But it would 'continue with other forms of democratic protests'. Mr Berisha said the boycott had made the west aware of 'violations of parliament by the left leadership'."

Romania close to accord

By Anatol Lieven in Bucharest and Kevin Done in London

Romania's warring coalition partners said yesterday they were close to agreement after five weeks of political turmoil, which officials acknowledge has dented the nation's international standing and delayed an already faltering reform process.

A protocol is under consideration which would set out the terms on which the minority coalition partner, the Democrats, will continue giving parliamentary support to the government.

Andrei Plesu, the recently

appointed foreign minister, said in London the Democrats had agreed to suspend their demand that Prime Minister Victor Ciorbea should resign by the end of March. They had also agreed to support in parliament all pro-reform legislation for at least six months.

The government will shortly appoint new ministers to replace the five Democrats who have resigned. However, given the bitterness among the coalition parties, it seems increasingly doubtful that any compromise will last for long.

Mr Plesu said there was consensus on the reform

agenda. "It is not substance being discussed. It is a question of style, personalities and premature electioneering that infects the substance." He warned: "We cannot go on damaging Romania's image outside the country, when it has hardly been built up. All the belligerents know there is no second-best solution and new coalitions are unthinkable."

More pressure for agreement was added when an IMF team led by Paul Thomson arrived in Romania on Monday for three weeks of talks on the government's reform programme for this year.

RHÔNE-POULENC INFORMS ITS SHAREHOLDERS

Rhône-Poulenc: 1997 results

"The objective for 20% growth in 1997 net earnings per share excluding non-recurring charges, has been met with a rise of 20.62%."

1997 was a very important year for Rhône-Poulenc: we consolidated our activities in the Life Sciences and paved the way for the creation of Rhodia with its business portfolio sharply focused on specialty chemicals. These operations led to a non-recurring charge of FF9.7 billion carried in 1997 accounts, which is reflected in a net loss for the year.

Enhancing the value of the Group remains our priority. We aim to achieve a return on equity of 13% by the year 2000.

To achieve this, the Group is counting on new products in the Life Sciences and on Rhodia's future development. We also intend to improve the earnings potential of our businesses. That is why new operations will be launched in 1998, which will result in additional non-recurring charges in the region of FF2 billion.

For 1998, we are maintaining our target of 20% growth in net earnings per share, excluding non-recurring charges."

Jean-René Fourtoux
Chairman and Chief Executive Officer

Consolidated results

Net sales: FF89,995 billion (+11.4%)*
Net loss: FF4,991 billion
Net income excluding non-recurring charges: FF3,417 billion (+24.7%)

Life Sciences

Consolidated net sales: FF52.6 billion (+11.7%)*
Earnings from operations: FF8.4 billion (+0.95%)

Pharmaceuticals

Consolidated net sales: FF33.3 billion (+10.8%)*
Earnings from operations: FF5.3 billion (-7.9%)

The downturn in earnings for pharmaceuticals is primarily due to the Centeon situation and to the decline in sales of asthma products in the United States, as well as weaker demand on the French pharmaceuticals market.

Rhône-Poulenc,
a worldwide leader
in life sciences,
and its
specialty chemicals
subsidiary,
Rhodia,



contribute
through innovation
to enhancing
human well-being
from health
and food to the
quality and safety
of products
used in
every-day life.

In contrast, strong growth was recorded in new product sales, particularly in the United States: Clexane®/Lovenox®, the world's leading product for the prevention of deep vein thrombosis; Taxotere®, the anti-cancer agent available in 55 countries; Rilutek®, the only available treatment for ALS (amyotrophic lateral sclerosis or motor neuron disease); Nasacort/AQ® for allergies.

Strong sales growth in vaccines helped consolidate Pasteur Mérieux Connaught's worldwide positions, particularly in the United States (Ipol®, an injectable polio vaccine and Tripedia®: pertussis, diphtheria, tetanus).

Plant and Animal Health

Consolidated net sales: FF19.5 billion (+12.8%)*
Earnings from operations: FF3.1 billion (+20.5%)*

Growth was fuelled by a generally buoyant market, the rapid increase in new product sales and the earnings posted by Merial. Frontline®, an antiparasitic agent for animals, recorded sales up 150% in 1997.

Regent®, the brand name of the new Fipronil-based insecticide, doubled its 1996 sales performance.

In animal nutrition, methionine and vitamins continued to improve their sales performance (up by 10%).

Chemicals/Fibers and polymers

Consolidated net sales: FF37.5 billion (+10.6%)*
Earnings from operations: FF2.1 billion (+7.6%)*

The increase is mainly due to enhanced sales in most businesses.

The refocusing process toward specialty chemicals continued. The Chemicals and the Fibers/polymers businesses were merged into a new company, Rhodia, on January 1, 1998.

A gross dividend per ordinary "A" share of FF5.62 (FF5.25 in 1996) will be recommended by the Board of Directors at the Annual General Meeting of Shareholders to be held on May 26, 1998.

* On a comparable Group structure

Investor relations:
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Internet: www.rhone-poulenc
First quarter 1998 results: April 30, 1998.

This announcement appears as a matter of record only November 1997

THE INTEGRATED IRON AND STEEL WORKS
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WestLB

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Managers
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Agent
Credit Suisse First Boston, Zurich

Local Handling Agent
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Legal Advisor
Clifford Chance

CREDIT SUISSE FIRST BOSTON **BALLI** **PARIBAS**

NEWS: WORLD TRADE

Dubai Aluminium seeks Gulf smelter partner

By Robin Allen in Dubai

Dubai Aluminium (Dubal) is seeking a partner from another Gulf state to build a \$2.7bn smelter. With an annual capacity of 530,000 tonnes, it would be the largest to be built although it would rank behind some Russian smelters that have been expanded.

Dubal is taking an unusual approach because it wants its Gulf partner to provide land, pay for infrastructure such as port facilities,

and offer a competitive price for gas, apart from paying for equity. The idea would be to take advantage of the region's natural gas resources, which account for about a third of the global total. Dubal would supply smelter and power technology, as well as cash. The way would also be left open for a western producer to take equity in the project, codenamed "Hawk".

Analysts are cautious about its prospects. Tony Bird, managing director of the Anthony Bird aluminium consultancy, said the concept at present was "vague" and there was probably less than a 50 per cent chance of it coming to fruition. Mooted aluminium smelter projects in Canada, India and Mozambique were more likely to be completed.

Nevertheless, there was need for more global aluminium smelting capacity, he said. The Asian economic crisis had simply made the need less urgent. According to Dubai's chief executive, Ian Rugeroni, a former president of downstream operations in North America for Alcan of Canada, "the fundamentals of supply and demand seem to be favourable despite the Asian crisis. In a cyclical industry such as ours you have to plan long-term."

Construction of new smelters has also been discussed over the past 10 years in Abu Dhabi, Kuwait, Oman, Qatar and Saudi Arabia. But building has yet to start, and at least one, that in Oman, has been affected by recent economic turmoil in Asian countries, which are expected to co-finance the cost of construction as well as buy the aluminium.

Dubal, on the other hand, has a reputation for getting things done. Its recent "Falcon" programme, which expanded capacity by 50 per cent, took less than 2½ years from conception to completion in January last year.

In 1997 Dubai chalked up record operating profits, sales revenues and volumes. The first of these, according to industry sources, reached some \$196m, more than 25 per cent up on 1996. According to Dubai, total sales revenues were up almost 40 per cent to \$665m, on volumes of nearly 400,000 tonnes, an increase of 45 per cent on 1996.

At present Aluminium Bahrain (Alba) is the region's largest aluminium producer, with an annual output of about 500,000 tonnes. Capacity at Iran's Al-Mahdi smelter on Qeshm island where, according to industry sources, "some cells are already operating," will reach 220,000 tonnes a year.

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PM tries to calm Vietnam investors

By Jeremy Grant in Hanoi

Self-criticism sessions are rituals required of Communist party cadres in Vietnam. But yesterday's encounter between the prime minister, Phan Van Khai, and 800 foreign investors was a departure from the usual socialist script.

Faced with the prospect of capital flight, Hanoi is at pains to convince the dwindling foreign business community that it has not lost the will - or the means - to tackle the problems that are driving away increasing numbers of companies.

Contracted foreign investment plunged by almost 40 per cent last year, as red tape, high overheads and capricious decision-making rendered many businesses unviable. Added urgency to win the public relations battle, if not stem the capital flight, comes from the Asian financial crisis. More than 70 per cent of foreign investment comes from Asia.

Mr Khai, a reform-minded, Soviet-trained technocrat, devoted his day to hearing complaints from investors. But despite his pledges, most executives expected no dramatic results.

"Most of the issues are micro-issues that have to be dealt with through local officials. Having the prime minister there listening is unlikely to change much," said Nigel Russell, a lawyer with Australian Phillips Fox. Executives from companies such as Coca-Cola, Hewlett-Packard, Telstra and Fujitsu echoed the problems. Their complaints were less about the broad sweep of government policy than narrower issues like access to foreign exchange, interference by officials and the fact that local Vietnamese staff salaries were pegged in dollars rather than the local currency.

These problems strike at the heart of Hanoi's chronic inability to check provincial officials.

"It does seem that they put one finger in the dyke and three other holes burst open somewhere else," said Fred Burke, a lawyer with Baker & McKenzie.

Many investors suspect Vietnam's murky laws are kept deliberately vague to give local joint venture partners loopholes with which to exploit their financially stronger foreign partners.

Yesterday's meeting took place against the backdrop of problems at a local joint venture involving Procter & Gamble, the US personal care products maker. Last week, the central bank shocked investors by freezing commercial lending to the venture after months of wrangling between P&G and its local partner.

"People who go on about waiting for the Vietnamese to perfect their legal system are missing the point. Laws alone do not create an environment conducive to foreign investment," said Mark Brady of Baker & McKenzie. "Only a demonstrable commitment to internationally acceptable policies can do that."

Europeans cruise to luxury contracts

Specialist yards are building opulent liners as passengers take to ships with marble floors and self-playing pianos

From the king-size bed in the Penthouse Suite, it is only a small stretch to the control panel that activates the whirlpool tub, the self-playing grand piano and the lights on the mirrored ceiling. The verandah outside commands a panoramic view, more than 100ft above the ocean.

For the next few weeks, however, the scenery will be dominated by the cranes and warehouses of Helsinki harbour, where more than 1,000 shipyard workers are fitting out the MS Paradise.

At 70,400 tonnes, the "Fantasy Class" liner will join the growing fleet of new vessels serving the fast growing

cruise industry. The ship, ordered by Caribbean Cruise Lines of the US, is one of almost a dozen currently under construction at European shipyards.

Kvaerner Masa-Yards, which is building the Paradise, this week underlined the revival in cruise ship building by announcing a \$500m order from Royal Caribbean Cruise Lines for a third 136,000 tonne superliner, able to take 3,100 passengers.

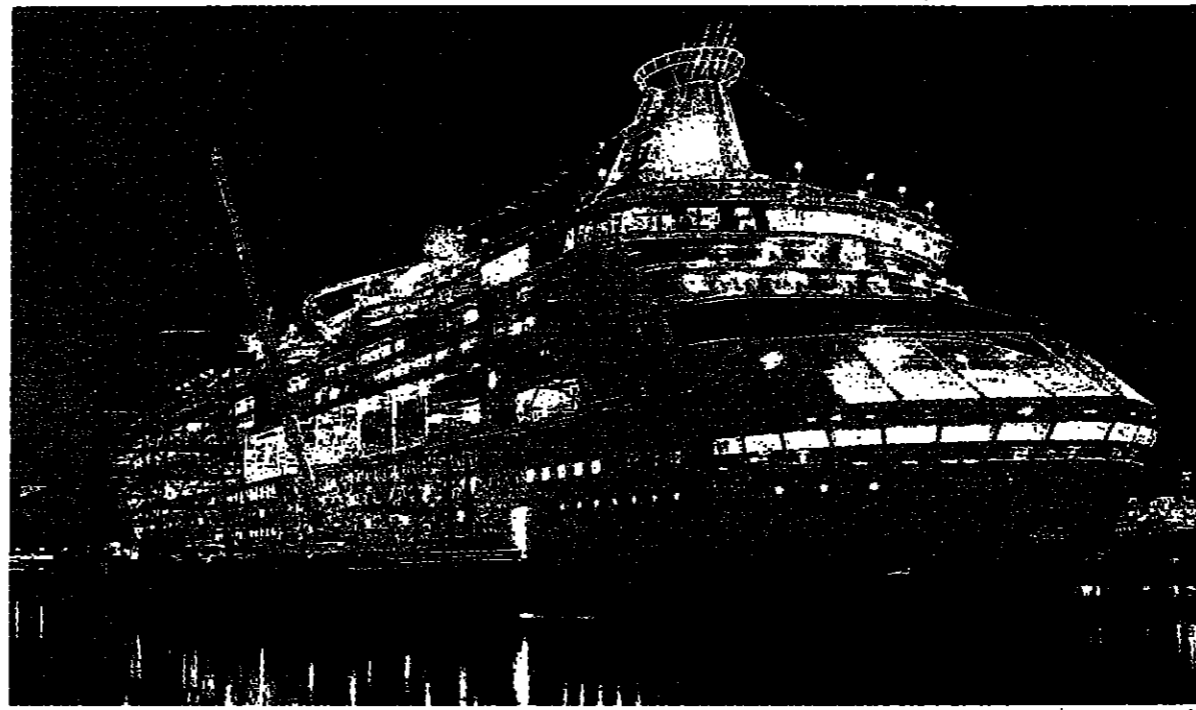
At the same time, Royal Caribbean placed orders for a further six vessels with Chantiers de l'Atlantique of France and Meyer Werft of Germany.

The flurry followed last

month's announcement of a \$390m order from Carnival, also placed with Kvaerner, and a \$500m contract for two vessels from Britain's Peninsular & Oriental Steam Navigation, won by Fincantieri of Italy.

These yards have become the world's leading cruise ship manufacturers by successfully withstanding pricing pressures and intense competition from lower-cost rivals in south-east Asia.

They have done so because cruise ships involve much higher specification and promise higher margins than the cut-throat commercial cargo sector. Those yards relying solely on the tanker or bulk carrier market have



Smooth sailing ahead: The cruise ship 'Enchantment of the Seas' moored at Kvaerner Masa-Yards

Gero Mylon

struggled to survive against Asian competitors, particularly Korea.

According to Martin Saarikangas, president of Kvaerner Shipbuilding, Korean yards are selling cargo vessels below cost and are

threatening to double capacity by 1999.

"It is the biggest threat to the whole industry, there is already worldwide overcapacity and it will only get worse," he says.

That has persuaded Kvaerner-Masa and its European

rivals to develop specialist skills in cruise shipping. Their ability, moreover, to secure contracts from the likes of Carnival or Royal Caribbean has been helped by government subsidies.

Kvaerner has benefited from a £150m (\$240m) aid package from the Finnish government, spread over two years. But Mr Saarikangas says the subsidy amounts to less than 2 per cent of sales, and remains paltry against the 9 per cent subsidies enjoyed by Chantiers de l'Atlantique and Fincantieri.

Industry analysts suspect that the French and Italian yards get additional aid of almost 30 per cent of production costs. While declining to comment on the exact amount of aid, the shipbuilders admit they could not compete without it.

Alain Grill, president of the French shipbuilders' association, told reporters last year: "European shipbuilding cannot survive without aid; every job lost in Europe remains an extra job in Asia."

The system of subsidies, although officially abandoned by the Organisation for Economic Co-operation and Development, has remained in place largely because of the US refusal to ratify the accord on international shipbuilding.

Fortunately for Kvaerner and others, continued state aid has coincided with increased demand from cruise operators. The big three - Carnival, Royal Caribbean and P&O's Princess Cruises - enjoyed passenger growth of about 10 per cent in the US market last year.

The increase in North American demand, which largely dictates passenger trends elsewhere, compared with growth of 6.35 per cent

in 1996, and reversed the 1.6 per cent decline in passenger numbers of 1995.

G.P. Wild, the UK passenger shipping consultants, maintains that despite occasional fluctuations underlying passenger demand has grown at an average of 9 per cent over the past 20 years.

"The experience of the industry has been that new capacity is filled whenever new ships are brought into service," says Peter Wild, head of the consultancy.

In recent years, the average age profile of the cruise passenger has changed from about 65 in 1970 to below 50 and getting younger.

Shipbuilders say the new generation of cruise passengers demands better facilities which cannot be met with older ships. That means more casinos, fitness centres, champagne bars and theatres.

The specification of one recently completed vessel, for example, boasts: "Grand entrances, flanked by statuesque sculptures, leading through a soaring entry arcade with vaulted ceilings, wood walls and inlaid marble floors."

Such opulent - some say vulgar - design has led to a flourishing sub-contract industry, in which many features such as galleys, marble bathrooms and entertainment centres are manufactured and fitted by specialist suppliers.

That, in turn, helps the yards to minimise costs and shop around for the most competitive component suppliers. "All these yards realise they cannot take a loss-making order," says Mr Saarikangas of Kvaerner. "That means cutting costs and increasing productivity. To compete, you must be profitable."

Tim Burt

1~Desk

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World retail pharmacy purchases: 12 months to November 1997 (\$m)

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Netherlands	Belgium
Cardiovascular	12,248	7,722	3,696	3,694	1,353	1,472	1,006	420	420	420
Anticancer	10,675	7,003	2,371	2,103	1,322	1,447	781	631	404	282
Central Nervous System	12,899	5,614	3,747	1,274	1,357	1,242	700	284	244	244
Anti-infectives	8,872	5,050	1,242	1,610	1,166	465	545	267	128	230
Respiratory	8,775	2,760	1,466	1,205	1,114	1,114	218	128	128	230
Musculo-skeletal	2,445	2,963	674	651	485	441	245	174	64	90
Genito-urinary	4,234	965	762	431	326	166	220	128	128	230
Others	10,019	13,392	2,639	1,815	1,556	1,013	797	671	250	250
Total	56,022	42,377	14,713	13,224	9,566	7,227	4,651	2,290	1,288	1,288
% Change	10	-1	0	4	5	7	9	11	7	5

*Changes exclude currency movements

Source: IMS International

US drugs growth slows

By Daniel Green

The growth rate in sales of prescription drugs in the US, the world's biggest market, slowed in the year to November, according to data from specialist market researchers IMS International.

The growth rate for the 12 months to November was 10 per cent, with sales at \$66.06bn, compared with a 14 per cent growth rate in the 12 months to October.

Contributing factors included the withdrawal of the slimming drug Redux, made by American Home Products, and patent expiries on two drugs, Zantac and Zovirax, made by UK company Glaxo Wellcome.

There was also a decline in sales of antibiotics and respiratory drugs, both highly dependent on the timing of

the start of the colds and influenza season each winter.

The US performance dragged down sales growth over the 12 months in 10 of the biggest pharmaceutical markets to 5 per cent, at \$165.9bn. That compared with a 7 per cent growth rate in the year to October, at constant currencies.

Sales in the world's second biggest market, Japan, were down 1 per cent at \$42.4bn. But they rose in smaller markets such as Italy and Canada. Italian drugs sales rose 5 per cent to \$8.6bn and in Canada sales were up 11 per cent to \$4.1bn.

By medical area, heart drugs remain the biggest sellers with sales up 5 per cent, excluding exchange rate movements, to \$33.7bn. This concealed wide varia-

tions in growth, with cholesterol-lowering drug sales up 22 per cent and sales of an old but widely used class of blood pressure drugs, calcium channel blockers, down 2 per cent.

Sales of Rezulin, a new diabetes drug sold in the US by Warner-Lambert, boosted figures for digestive system/metabolism drugs. Sales in that sector rose 4 per cent to \$27bn in spite of slow or no growth from ulcer drugs.

The fastest growing sector remains nervous system drugs, a category which includes Prozac, the antidepressant made by US company Eli Lilly, and a new generation of drugs to treat schizophrenia. Nervous system drug sales rose 12 per cent to \$23.4bn.



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NEWS: THE AMERICAS

US in export credit initiative for Asia

By Nancy Dunne in Washington and Peter Montagnon in London

The US has launched an international initiative to provide export credit finance to Asian countries facing difficulties importing the goods and components needed to sustain their manufacturing industries.

The initiative, announced in congressional testimony by the deputy Treasury secretary, Lawrence Summers, follows a proposal from Goh Chok Tong, prime minister of Singapore, for a multilateral scheme to guarantee

letters of credit to Asian companies.

"There is a severe danger that the domestic recession in these [Asian] economies will be prolonged by a shortage of short-term trade finance," Mr Summers said. "Weighed down by debt, the financial system in some cases has simply ceased to function - making it all but impossible for businesses to obtain credit to import vital goods and materials," he said.

Bankers in Indonesia and South Korea, the two countries worst hit by the credit squeeze, have said a short-

age of credit is crippling some industries, thwarting hopes that devaluation would enable them to export their way out of debt problems.

Australia announced this week that it was making an unlimited special export credit facility available for Indonesia.

Mr Goh, after meeting President Suharto of Indonesia on Tuesday, said his scheme would create a multilateral committee which could guarantee up to \$20bn in credits for Asia. Backing of \$8bn should be easy to organise, he said.

It was not immediately clear how quickly such an amount could be assembled, however, given the different policies towards cover adopted by export credit agencies in the industrial world.

Mr James Harmon, chairman of the US Export-Import Bank, said he would visit Europe next week to move the US initiative forward.

Both the US and Australia have stepped up export credits for South Korea, a particularly important market for Australia and a heavy importer of its coal, iron

ore and farm products. Before the crisis, Australian companies were prepared to export to Korea without insurance cover, said John Moore, industry minister, but now they required guarantees. Australia's A\$300m (US\$200m) cover would support exports worth A\$1bn a year, he said.

John Howard, Australia's prime minister, announcing the programme for Indonesia, said one objective was to ensure that the US did not use export credits to take market share from Australia.

"Our exporters are facing fierce, even on occasions actively avaricious, competition from US exporters into Indonesia," Mr Howard said.

"It is very important that my government and Australia stand up for the interests of Australian exporters and therefore of Australian jobs."

For the US, Mr Summers said the use of export credit facilities was "a win-win proposition" because it gave an immediate boost to exports while speeding the long-term recovery of Asian markets.

NEWS DIGEST

Fed holds its fire on rates

The US Federal Reserve left interest rates unchanged yesterday at 5.5 per cent, confirming the benign inflationary outlook for the US economy. The decision, made at the year's first meeting of the policymaking Federal Open Market Committee, had been widely expected. Although the economy grew by a faster-than-expected 3.8 per cent last year, there has been little sign of inflation re-emerging.

Last week Alan Greenspan, Federal Reserve chairman, warned that the effects of the Asian economic crisis were likely to trigger a slowdown in US growth later this year, prompting market speculation that the Fed's next move might even be to lower rates. *Mark Suzman, Washington*

COMPUTER INDUSTRY

Chip speeds accelerate

The remorseless acceleration in the performance of computer chips continues, with three manufacturers this week announcing breakthroughs in the "clock speed" of their microprocessors. Intel, the leading chipmaker, is unveiling the latest version of its Pentium II processor, measured at 450 MHz, which will be available to buyers of computer servers and workstations in the second half of the year.

At the same time both International Business Machines and Digital Equipment, which recently agreed to be acquired by Compaq Computer, are demonstrating future chips with a clock speed of 1,000 MHz.

The fastest Intel chip on computers today runs at 333 MHz. The clock speed is one of the factors that determines the overall performance of computer chips.

Nicholas Denton, San Francisco

BRAZILIAN JOBS

Slowdown hits labour market

Unemployment in Brazil last year reached its highest level since 1992, in one of the first signs that the slowdown in economic activity resulting from the Asian crisis is beginning to affect the labour market.

The average rate of unemployment throughout the year was 5.7 per cent, against 5.4 per cent in 1996, according to the Brazilian government's Institute for Geography and Statistics (IBGE).

Apart from 1992, when the Brazilian economy was in a recession provoked by the failed Collor economic stabilisation plan, last year's unemployment figure was the highest since the early 1980s. The 4.84 per cent jobless rate in December, usually a month of heavy economic activity, was the highest since 1983. *Geoff Dyer, São Paulo*

RETAIL BANKING

US bank charges under fire

Charges for US retail banking services have increased by more than the rate of inflation over the last three years, according to a survey released by a consumers' lobby group. Small community banks and mutual credit unions immediately asserted that the rises were due to widespread mergers in the industry, which have created several large banks.

The biggest change has been seen in charges for automated teller machines (ATMs), which are under attack in Congress. According to the Consumer Federation of America, the average amount charged by banks for transactions at their own ATMs increased by 64 per cent between 1994 and last year. Over the same period the charge for cashier's cheques increased 10.2 per cent, and for money orders by 12.6 per cent. The average monthly charge for a regular cheque account is 98, while the charge for returning a cheque due to insufficient funds is \$17.39.

However, banks disputed the findings. The Independent Bankers' Association of America said the comparisons were misleading as they did not distinguish between large banks and community banks. *John Authers, New York*

MILLENNIUM BOMB

Airline safety 'at risk'

The US Federal Aviation Administration is not properly addressing potential computer problems arising from the year 2000 "millennium bomb", potentially putting airline safety at risk, two reports have warned.

According to studies by the General Accounting Office and the transportation department, the FAA is particularly vulnerable to the problem, which arises when computer systems use two digit dating systems and are unable to distinguish between the year 2000 and 1900.

"At its current pace [the FAA] will not make it in time," the GAO report says. It warns that potential problems include "degraded safety, grounded or delayed flights, increased airline costs and customer inconvenience".

FAA officials insist safety will not be threatened and that all affected systems will be fixed in time. However, Stephen Horn, a California congressman who chaired hearings on the issue yesterday, warned that the problem could ground up to half of all flights. *Mark Suzman*

Buenos Aires nears \$2.8bn IMF accord

By Ken Warn in Buenos Aires

The board of the International Monetary Fund in Washington was yesterday set to approve a three-year \$2.8bn extended fund facility for Argentina. The accord sets a target for this year's fiscal deficit of \$3.5bn, against last year's \$4.5bn target, which Argentina narrowly bettered.

The government has also committed itself to restraining the trade deficit to no more than \$5bn this year, implying a current account shortfall of about 3.8 per cent of gross domestic product.

It has agreed to take "corrective measures" at any point during the year if the trade target looks like slipping out of reach.

The letter of intent explicitly recognises that recent turmoil in the international financial markets will affect Argentina's trading partners and the country itself.

It acknowledges that GDP growth will slow "significantly" from last year's estimated 8 per cent, but expresses the hope that it will bounce back quickly.

The government's forecast for GDP growth this year, unveiled with last September's budget before the Asian crisis broke with full force, remains at 5.8 per cent.

Under the terms of the accord, inflation is expected to remain at less than 2 per cent annually, better than the average forecast for Argentina's trading partners.

The agreement recognises that measures adopted by the government since the Mexican, or "tequila", financial crisis in 1995 have helped strengthen the banking system.

It points to the privatisation of provincial banks, a series of mergers and liquidations, and increased direct investment by foreign banks as positives for the banking system.

On structural reform, the government has committed itself to an overhaul of the country's antiquated labour laws by the middle of the year and moves to make the tax system more efficient by year-end.

However, union leaders are likely to oppose reforms on this scale.



Monica Lewinsky (centre) hugged by her father in Los Angeles

Federal prosecutors have shifted the focus of their investigation into allegations of an affair between President Bill Clinton and Monica Lewinsky, a former White House worker, to whether she withheld testimony until receiving a new job in New York, Mark Suzman reports from Washington.

Records show Ms Lewinsky visited the White House as many as 37 times after being transferred to the Pentagon in April 1996. Her most recent visit was late last December shortly after she was subpoenaed to give evidence about an alleged relationship with Mr Clinton (which he denies) in Paula Jones's sexual

harassment case. However, it now seems she withheld filing a sworn affidavit denying such a relationship until receiving a job offer, apparently at the recommendation of Vernon Jordan, Mr Clinton's friend and adviser.

The new revelations came as special prosecutor Kenneth Starr considered a new offer from Ms Lewinsky's lawyer in which she would testify in exchange for immunity. Negotiations broke down last week. The White House is considering invoking executive privilege to stop Mr Starr subpoenaing administration officials. It also plans a defence fund to help pay the president's legal bills.

Massachusetts counts its hi-tech aces

Victoria Griffith reports on why there were few tears for the takeover of DEC

There are few tears in Massachusetts over the purchase of the once mighty computer group Digital Equipment Corporation by Texas-based Compaq. The news came as no great surprise. DEC had been on a downward spiral for at least a decade; since the late 1980s, its work-force had shrunk from 133,000 to 54,000. DEC employees even expressed some relief that the association with Compaq might bring the group some needed stability.

All of which shows just how far Massachusetts has tumbled since its high technology glory days of the 1970s and early 1980s, when the words "Route 128" - the cluster of cutting-edge companies encircling Boston - were as powerful as "Silicon Valley", and when the

names of giants such as DEC, Lotus, Wang and Data General tripped off the tongue. All have now been purchased or have shrunk almost beyond recognition.

While the high technology sector in the state is far from crippled, thanks to the vitality of dozens of small start-ups, Massachusetts now appears content to play second fiddle to California. In 1996, venture capitalists gave Massachusetts companies \$831.5m. The same year, they sank \$1.8bn into groups in Silicon Valley.

The region has many vibrant corporations, including the enormously successful computer group EMC, but none with the name-recognition value of, say, Netscape.

And while high technology employment in Massachu-

setts is expanding rapidly, many of the companies growing most rapidly in the region - such as Sun Microsystems and 3Com - have headquarters in California.

"There are risks to not having large companies headquartered here," says David Yoffie, a professor at Harvard Business School. "Headquarters provide a fertile ground for training future management and launching new spin-offs."

AnnaLee Saxenian argued in a 1994 book called "The Regional Advantage" that Massachusetts' problem may lie in New England's strait-laced culture.

"In California, information flows more freely between companies," says Ms Saxenian. "In Massachusetts, there's more secrecy and company loyalty, and more

of a desire to climb the corporate ladder."

She argues that even Massachusetts' venture capitalists, made up largely of blue-bloods, are more risk-averse than their Californian counterparts. "People in Massachusetts dress less exuberantly and appear more family-oriented," she explains. "In Silicon Valley, it's paper airplanes and popcorn parties at work."

Massachusetts still holds some aces in the high technology battle between the states: an extremely innovative work-force. The venerable Massachusetts Institute of Technology provides a constant pool of talent to the area, and Massachusetts still produces more patents per capita than any other state in the US. Indeed, after a low point in the early 1990s, high

technology start-ups in Massachusetts are running strong. Software and communications alone have added more than 30,000 jobs in the state since 1992.

"For a while there, it looked like the high technology sector in Massachusetts was just going to up and die," says Paul Gudonis, now president of GTE Internet Services, and formerly of the Cambridge-based internet group BBN. "The last five years have really seen a renaissance."

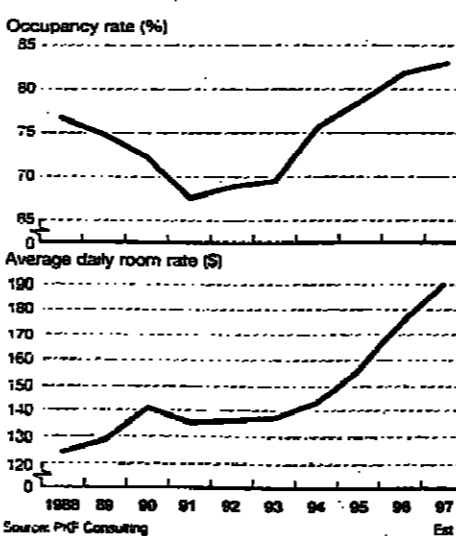
Even Silicon Valley companies recognise the advantages of the region. Sun Microsystems says the main reason it is expanding in Massachusetts is to tap the state's abundant talent, increasingly scarce in Silicon Valley because of the fierce competition there.

Too few hotels were built in New York during the 1990s, but change is on the way

Loss of staying power in the Big Apple

By Richard Tomkins in New York

New York City hotels: book now



If you're planning to visit New York City this year, better do it now. These chilly weeks of the low season may be the last opportunity you get to find a room in the hotel of your choice - or indeed, any room at all.

New York is bursting with visitors, and so are its hotels. According to preliminary estimates by PKF Consulting, a US hotel consultancy, occupancy levels rose to 85 per cent last year, a post-war record.

Occupancy levels this high mean that hotels are in effect full for most of the year. The figure falls below 100 per cent only because of the rooms left vacant in January and February and at weekends outside the tourist season.

At other times, most business and leisure travellers arriving without reservations face the prospect of a desperate search for accommodation.

Some trade up to luxury hotels costing much more than they, or their companies, had planned to pay. The more thrifty stay far away from Manhattan in air-

port hotels or in New Jersey - or develop sudden yearnings to re-establish contact with long-lost friends and relatives in the city.

Why the crush? Travel and tourism is rising in most parts of the US, largely because of continued economic growth. But in the US as a whole, hotel occupancy levels are falling because the rate of new hotel building is

exceeding the growth in demand.

New York, in contrast, has seen very little hotel development in the 1990s because, even though occupancy levels and room rates have risen, high real estate and construction costs have made it difficult to get financing for new projects.

Meanwhile, New York has been attracting more busi-

ness visitors and tourists than at any time in its history, thanks to the city's well-publicised efforts to clean up the streets and parks, revitalise Times Square and crack down on crime. The number of murders fell from 984 to 767 last year, the lowest figure since 1967.

"New York as a city has never been cleaner, safer

and more attractive as a destination," says Arthur Adler, a partner with Cooper & Lybrand's lodging and gaming consultancy in New York. "It's got it all going for it right now."

According to the New York Convention & Visitors Bureau, the number of business and leisure travellers arriving in the city reached a record 31.9m last year, and the bureau expects the figure to climb to 32.5m in 1998, putting an even greater burden on the available hotel space.

In response to the rising demand - and the resultant increase in room rates, which rose nearly 10 per cent last year - some hotel projects are getting underway, but not enough to make much short-term impact on the room shortage.

In midtown Manhattan, a Marriott Courtyard hotel and the Fitzpatrick Grand Central are being converted from office buildings, and another Marriott Courtyard hotel is under construction.

In Brooklyn, the 374-room New York Marriott Brooklyn, now nearing completion, is about to become the

area's first new hotel in 68 years.

At least 20 other hotel projects are being discussed or planned. But John Fox, senior vice president of PKF Consulting, says many will never be built because of well-founded worries among bank lenders about the boom-and-bust cycle which so often hits the hotel industry.

New York has seen hotel building booms in the past - most recently, in the mid-1960s and from the late 1970s to the mid 1980s - only for them to have ended in overcapacity, declining room rates, and defaults on bank loans.

Mr Fox says that in 1991, the bottom of the last cycle, overcapacity in the hotel industry was so severe that more than a third of the hotels in the US were failing to earn enough operating profits to pay the interest charges on their debt.

"Lenders are very conservative today, particularly because of what happened in the most recent cycle," Mr Fox says. "They really got hurt badly in 1991, 1992 and 1993. So it wasn't very long ago that things were considerably worse."

ETBA Finance
ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.)

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF NITROGEN FERTILISERS INDUSTRY (A.E.B.A.L.) S.A.

ETBA FINANCE ECONOMIC & FINANCIAL SERVICES S.A. (formerly GREEK EXPORTS S.A.), established in Athens (11 Eristosomou St.), as special liquidator of NITROGEN FERTILISERS INDUSTRY (A.E.B.A.L.) S.A. which has been placed under special liquidation by Decision No. 1115/1-98 of the Western Macedonia Court of Appeal, and within the framework of article 464 of Law 1892/1996, as supplemented by article 14 of Law 2000/1997 and its amendments, INVITES

interested parties to express their interest in purchasing the assets of NITROGEN FERTILISERS INDUSTRY (A.E.B.A.L.) S.A. by submitting within twenty (20) days from today, a written, non-binding expression of interest.

Summary data on the company under liquidation

NITROGEN FERTILISERS INDUSTRY (A.E.B.A.L.) S.A. is established in the municipality of Ptolemais in the Prefecture of Kozani and is installed on a plot about 1,782,220 m² in area.

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Data on the auction for the highest bidder

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2. Prospective buyers, after signing a confidentiality agreement, may receive the Offering Memorandum from the offices of the liquidating company. They will also have access to any other information they may request and be able to visit the premises of the company under liquidation.
3. The procedure for conducting the auction for the highest bidder will be published within the legal time limits and in the same newspapers in which the present invitation has appeared.

For further information, interested parties may apply to ETBA FINANCE S.A., 1 Eristosomou & Vas. Constantinou Street, Athens 116 35, Greece. Tel. (001) 7260210, 7260278, 7260506 and fax. (001) 7260864 and at the company's factory in Ptolemais, Tel. (0043) 25241 and fax. (0043) 26522



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NEWS: ASIA-PACIFIC

HK banks warned over profits

By John Riddling
in Hong Kong

Hong Kong's banks this year can expect slower loan growth, narrower interest margins and a rise in bad debts, a senior industry regulator warned yesterday.

But David Carse, acting chief executive of the Hong Kong Monetary Authority, said problems in the industry arising from the regional financial upheaval would be limited to pressures on profitability. There would be no threat to solvency.

"This is one of the worst financial crises to hit the world this century," said Mr Carse. "But so far we see the impact in Hong Kong as falling within the normal range you would expect in a downturn."

He said that bad loans accounted for less than 2 per cent of total lending at the

Hong Kong property: exposed

End December 1997*	Amount outstanding (HK\$bn)	As % of loans for use in HK
Property development	148.9	7.3
Industrial	2.0	0.1
Residential	65.1	3.1
Commercial	24.0	1.2
Others	99.9	2.9
Property investment	272.7	13.4
Industrial	9.28	0.5
Residential	131.6	6.4
Commercial	99.1	4.9
Others	32.7	1.6
Purchase of residential property	480.3	23.5
Total	902.0	44.2

Source: HKMA

*All authorized institutions

end of September. The financial standing and management of the territory's banks were strong.

Interest rates have risen in recent months amid fears about the linkage of the Hong Kong currency to the

US dollar, prompting an abrupt downturn in the economy. Property prices have fallen by more than 30 per cent since last autumn, raising concerns about the banking sector.

Mr Carse described prop-

erty loan growth of about 30 per cent last year as "excessive". Property-related loans rose to about 44 per cent of total lending, compared with HKMA guidelines of 40 per cent.

However, Mr Carse said the risk of concentration was mitigated by several factors.

Mr Carse said overdue mortgage loans accounted for only 0.1 per cent of the total at the end of last September. Banks had continued to apply prudent lending criteria and previous downturns in the sector had shown only a slight increase in non-performing loans.

Mortgage lending slowed sharply in the fourth quarter of last year. The HKMA expects total loan growth to slow to between 10 and 15 per cent this year, compared with 23 per cent in 1997. Combined with tighter mar-

gins, most analysts predict pressure on banks' profits.

However, Mr Carse said banks had budgeted for reasonable profits this year. While much depended on the trend of money market interest rates, he said the fall in Hong Kong inter-bank offered rate over recent days was encouraging.

Three-month interest rates fell to 9 per cent yesterday, from just under 10 per cent late on Tuesday. Last month they climbed to 14 per cent as the regional crisis intensified and fears grew for the Hong Kong dollar.

In spite of the severity of the regional downturn, Mr Carse said Hong Kong's banks and other institutions were stronger and better managed than some of their counterparts elsewhere in Asia. "We have not seen the problems of Thailand or Indonesia," he said.

China to finance housing loans

By James Harding
in Shanghai

China will allocate Yn100bn (\$12bn) for housing loans this year, to encourage home ownership and spur the fledgling residential property market.

The commitment to building a mortgage industry is part of a series of property market reforms. Beijing is trying to encourage more people to buy their own homes and ease the burden on the state, which has for more than a generation provided housing for Chinese citizens.

Encouraging lending to stimulate housing purchases is also one of a range of measures the government has identified as a way of reinvigorating domestic demand growth.

Hou Jie, China's construction minister, announced that Yn100bn had been earmarked for housing loans in an official report issued yesterday. He said he expected "rational and stable growth in real estate development and investment during 1998".

Apartment sales to private citizens in mainland China were worth Yn42.1bn in the first 10 months of 1997, up 41.8 per cent from the same period in the previous year, according to the report published by Xinhua, the official government news agency. New house building also grew rapidly, as nearly 1bn sq m of new homes was built last year.

Beijing has sought to ease some of the restrictions on individual borrowing to enable the growing middle class own their own homes - a few state commercial banks have been allowed to start mortgage services and a lending plan has been introduced to help low- and medium-income working families buy houses.

Traditionally, the state or the work units of state-owned companies have provided accommodation.

High points of Japan's recession

It feels like a Golden Recession. The official Japanese statistics may be dismal: the economy contracted by 1.4 per cent in the six months to September last year, new vehicle sales last month fell 24 per cent while supermarket sales figures for 1997 fell 2.8 per cent. But the streets are not filled with the homeless, high street shops are not boarded up and there is evidence of pockets of spending.

Yumino Tanaka, a 24-year office worker, recently spent Y3.5m (\$27,700) on a four-wheel-drive Mitsubishi and has also taken a holiday to Hong Kong on a shopping tour. "I didn't like the car I bought a year ago so I decided to change it for a new one," she says blithely.

Ms Tanaka is not the only one with the propensity to spend. In Shibuya, one of Tokyo's main shopping areas popular with the young, the streets are packed and there is a five-minute queue to pay for a compact disc at Tower Records.

"The young are among the few groups supporting consumption in Japan at the moment," says Ken Egusa, retail analyst at UBS in Tokyo. Those in their 20s with jobs but no dependants and teenagers who work part-time are buying personal items including clothing, footwear and accessories, and taking trips abroad. European luxury goods manufacturers are still experiencing steady demand. Bulgari, the up-market jeweller, for example, expects turnover for the past year to increase 26 per cent and plans to open more stores.

Although not spending as lavishly as during the economic "bubble" of the late 1980s, consumers in the top income brackets have not turned the tap off completely either, say analysts. Toehiko Binder, retail analyst at HSBC James Capel in Tokyo, says that over the past cou-

ple of years, low income households have cut their spending, while those with higher incomes seem to have been less affected by the downturn.

But spending by the rich and the young has not offset the fall in consumption by the country's core spenders - people in their 30s and 40s. Comprising a third of the population, they have been the main buyers of household goods, electronic equipment and cars. Faced with declining incomes and increasing uncertainty over jobs, many households have deferred spending on large ticket items.

Office workers, who bought property and have mortgages - often lasting more than 30 years - have become especially cautious. Economists warn that things could get worse, especially unemployment, now at a record high of 3.5 per cent and expected to rise. Although the government has announced cuts in income tax of Y28,000 per worker over next month, scepticism is rising over its effectiveness in fueling consumer demand.

Emiko Terazono

Move seen as a way to force industrial conglomerates to restructure

Korea to allow foreign takeover bids

By John Burton in Seoul

Foreign investors will be able to make hostile takeover bids for South Korean companies in a move designed to force the nation's leading conglomerates, or *chaebol*, to restructure.

The proposal announced yesterday by Korea's new government (already signalled in the International Monetary Fund rescue package agreed last month) is a part of programme of measures that will probably result in debt-laden industrial groups abandoning excess diversification and concentrating on core businesses.

Under legislation to be submitted to parliament this month, foreign investors can buy up to a third of a company's shares without the approval of its board.

"This could make most of the top 30 *chaebol* vulnerable to foreign takeovers since current owners control on average only 27 per cent of shares."

Foreign investors will no longer be required to gain state approval for takeovers of companies with assets of Won2,000bn (\$1.3bn) or more, although defence and other strategic industries such as the electricity monopoly will remain protected.

Corporate defences against hostile

takeovers will also be improved, including easing rules on share buy-backs and allowing increased cross-holdings among *chaebol* subsidiaries. Analysts said the *chaebol*, which are suffering from capital shortages because of slower sales, will be forced to reduce their sprawling

shareholders to challenge management, including the dismissal of executives, through collective lawsuits.

Banks will be encouraged to conduct debt-for-equity swaps that will reduce the control of the current owners, while helping companies to

owners. They have been blamed for causing Korea's financial crisis by borrowing heavily to finance reckless industrial expansion.

The dissident Korean Confederation of Trade Unions yesterday threatened to stage a limited strike action tomorrow to protest against the labour reform unless the government took strong action against *chaebol* owners. The union group claimed workers were so far bearing the brunt of the nation's economic problems.

Analysts expect a wave of foreign takeovers in Korea, which has long discouraged investments from abroad, if the reform legislation affecting the *chaebol* and labour are approved.

Foreign investors, mainly hedge or mutual funds, have already become the biggest shareholders in 16 companies since the foreign shareholding limit in listed companies was raised to 50 per cent in December.

The *chaebol* also might be forced to swap businesses to promote concentration in core industries, such as Samsung possibly exchanging its new car unit for Hyundai's ailing semiconductor business. Hyundai is Korea's leading car producer, while Samsung is the biggest semiconductor company.

The trade unions have indicated they would accept labour reforms if the government took steps to reduce the power of the *chaebol's* family owners

empire by selling subsidiaries to raise funds if they are to protect their most important businesses against hostile takeovers.

Other measures to force the *chaebol* to reform include imposing tax penalties on excessive borrowing and debt payment guarantees among subsidiaries.

The *chaebol* will be required to produce consolidated financial accounts from fiscal year 1999, an important step toward corporate transparency.

New powers will given to minority

shareholders to challenge management, including the dismissal of executives, through collective lawsuits.

Banks will be encouraged to conduct debt-for-equity swaps that will reduce the control of the current owners, while helping companies to

shareholders to challenge management, including the dismissal of executives, through collective lawsuits.

The trade unions have indicated they would accept labour reforms if the government took steps to reduce the power of the *chaebol's* family

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COMMENT & ANALYSIS



Economic Viewpoint • Samuel Brittan

Some Emu surprises

The run-up to European economic and monetary union has been nearly the opposite of what many had expected

Instead of banging on about the Maastricht conditions and the Stability Pact, German financial officials would have done better to have remembered the verse from St. Matthew which says: "But many that are first shall be last; and the last shall be first."

About a year ago German political and business opinion was strongly opposed to starting Emu with a wide membership. The preference was for beginning with a small northern nucleus consisting mainly of France, Germany, Austria and the Benelux countries. But once Theo Waigel, the German finance minister, announced his abortive plan to use foreign exchange profits of the Bundesbank cosmetically to reduce the German budget deficit, any possibility of keeping out the non-core countries vanished. Germany was no longer in a position to lecture on the use of clever accounting devices.

Emu is thus almost certain to start on time in 1999 on a wide basis, with 11 EU countries. Moreover, the problems caused by this membership are almost the opposite of what had been feared. Even the old formula in terms of northern versus "Mediterranean" countries has proved mistaken - unless Finland and Ireland are regarded as Mediterranean.

The contrast is now between the hard central core and peripheral countries. Far from proving embarrassing legions, the peripherals have been the best performers among the 11. The most rapidly growing countries have been, in ascending order, Spain, the UK, Portugal, Finland and Ireland - with Ireland winning all the prizes. Unfortunately Italy now counts as a core country, doing slightly less well than Germany and France.

The rapid growth of the

peripherals has been going on for several years and accompanied by an inflation performance either as good as, or better than, the EU average or even Germany. When it comes to price levels, as distinct from rates of change, the contrast is even greater. The chart, which has been prepared by Julian Callow of Dresdner Kleinwort Benson, shows prices of tradeable consumer products in EU countries, compared with those in Germany. (Goods heavily influenced by differential indirect taxes, such as alcohol and tobacco, have been removed.)

The likely peripheral members, excluding Finland, have much lower prices than Germany or France. So prices and profit margins in France, Germany and surrounding countries should come under severe pressure. On the other hand, they should rise in Spain, Portugal, Ireland and perhaps Italy. This prospect should not be attributed to Emu alone. If the single market works as intended, prices in tradeable products should converge (apart from transport costs). But a single currency will promote "transparency" and

thus hasten the process.

The main financial effect of prospective Emu membership so far has been convergence of bond rates. Nominal short-term interest rates are still up to 1½ percentage points higher in the peripheral countries than in Germany. But the gap will have to narrow as the end of the year approaches. This convergence has been foreseen, perhaps instinctively, by international companies, which have directed much of their overseas investment towards the periphery.

Asian experience shows, however, that one can have too much of a good thing - even growth. If this continues at recent rates, some of these countries are liable to run in to domestic overheating. The obvious case is Ireland, which cannot sustain recent growth rates of 7 to 10 per cent for year after year. The pressures are already showing up in asset price inflation, especially in the Dublin property market.

Yet far from being able to raise interest rates in a preemptive move, the Irish central bank is having to prepare to reduce them as Emu membership looms. Thus some peripheral countries are liable to suffer

from excess demand in the early years of Emu. Here indeed is the main economic reason advanced by officials in Britain - which can be regarded as a non-joining peripheral - for staying out of the first wave. Does this mean that such membership is a mistake for peripheral countries? Not necessarily.

A reason the east Asian crisis has been so severe has been the plunge in exchange rates, which has made all dollar-denominated debts almost impossible to service. Once Emu occurs, such an undershooting of exchange rates is by definition impossible. What is likely to happen is something more equivalent to a localised boom in a region of the US, for example a Californian land rush.

The basic question, quite reasonably raised by Eddie George, governor of the Bank of England, concerns not just the peripherals, but also whether unemployment levels in the core countries are an obstacle to successful monetary union. At first sight Germany and France seem pretty much in the same boat: a vessel in dire condition. The all-German unemployment rate is not much lower than the French one of 12½ per cent and it has been rising more rapidly. If, however, the eastern Länder are excluded, west Germany emerges with an unemployment rate 2½ percentage points less than France.

How far this adds up to a case for a devaluation of the

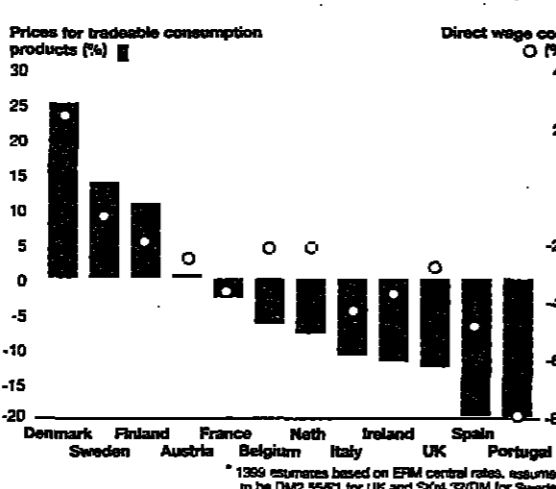
EU growth league

% Increase in real GDP, 1997

Ireland	7.2
Finland	4.5
Portugal	4.4
UK	3.4
Spain	3.2
EU average	2.6
Germany	2.4
France	2.3
Italy	1.9

Source: OECD estimates

EU price differentials compared with Germany*



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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No place for government funding in Channel rail link project

From Mr David Sawers.

Sir, The problems surrounding the high speed rail link to the Channel Tunnel provide an opportunity to pause and reconsider the project. Unless London and Continental Railways, the concessionaire, can find the funds with which to complete the link, its concession should be withdrawn; and it should not be offered to any other group on the same terms. Improving rail services to the continent is a matter of commercial interest to its operators and users, not of social concern to the taxpayer. So the government should be trying to escape from a commitment, under the concession to LCR, to pay £1.8bn towards the cost of the project.

The government's objec-

tive should be the construction of a rail link with private funds. It should re-open bidding for a concession on this basis, though it should accept that bids are unlikely to be made until traffic has grown substantially, and that bidders should be allowed to propose alternative routes. The present route was estimated to cost £500m more than the route British Rail favoured, when the Conservative government chose it in 1981. A commercial route may well be different and cheaper.

Using a new route would require new legislation; but legislation is a great deal cheaper than construction, and there will be plenty of time in which to get it through parliament. The government should not

allow itself to be rushed, by other governments or by Eurotunnel. The timing of the project should depend on the decision of a commercial developer, and is likely to be years away.

The government now has the opportunity to undo some of the damage done by the previous administration's mismanagement of the Channel link project. The best way of achieving this result is to limit the government's involvement to its statutory responsibilities for planning, and leave everything else to the private sector.

David Sawers,
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton,
West Sussex BN16 1PP, UK

Russia making notable steps forward

From Mr Yuri E. Fokine.

Sir, Against the background of generally balanced reporting in your newspaper on the economic situation in Russia the review ("Disturbing picture of chaos and corruption") by Quentin Peel in the issue of January 22 of a book on Russia (*Rebirth of a Nation: An Anatomy of Russia*, by John Lloyd) struck me as rather warped.

The "bag of beans" spilled on the readers' desks has evidently been packed for some time and not without a purpose.

Yes, Russia in its economic development is struggling through ups and downs, just like many other countries today. But an objective observer would not take notice of steps forward that are a result of a huge nationwide effort. To gloat over failures and to disregard the successes, albeit rare and far between, is malicious.

Let me be specific and give

some illustrations of the onward evolution of the Russian economy.

- industrial growth is reported to have been achieved in 1997.
- backdated payments of salaries in the budget sphere, as far as the federal government is concerned, were finally made in the beginning of 1998.
- the denomination of the rouble is proceeding satisfactorily, in an orderly way and without panic.

Let me also refer to the view of an internationally famed banker who noted the fall in inflation, the restoration of confidence in the Russian currency, the careful exchange rate management, the progress in bank supervision.

He also publicly recognised the "quality of clients and partners in Russia and the very high educational standards of technicians as well as their ability to adapt to market economy", and

concluded that "a renewed sense of optimism emanates from the Russian government, and rightly so, I am convinced that Russia will succeed in this transition process for the benefit of all its citizens and the rest of Europe and the world".

It would seem that there is really a good reason for many bankers and businessmen to acknowledge the positive evolution of the Russian economy and to expedite the process of establishing their offices or subsidiaries in Moscow and other important centres of Russia.

Naturally, they are welcome, as well as their contribution to the economic reforms in an unbending Russia.

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International financial news from European & Asian perspectives.

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A confrontation looms with Iraq, the US and Britain face the prospect of sending their armed forces - without much help from another country - into one of the biggest shows of force by the western world since the cold war.

Since 1991, when a US-led coalition last went into action against Iraq's President Saddam Hussein, Baghdad's armed forces - at least in conventional terms - have considerably weakened, and the US has upgraded its high-tech arsenal.

But lingering confusion over that exactly the US is trying to achieve, and the sheer unpredictability of Mr Saddam mean that nobody can be sure how the two sides will emerge from the forthcoming test of will.

Senior members of the Clinton administration say their aim is to force the Iraqi leader to resume co-operation with the UN. This is the argument they have made when preparing domestic and international opinion for the need for military action.

Tony Cordesman, one of the leading experts on the region's military balance, believes this is a coherent war aim: "It should send a clear message that the military cost of non-cooperation is unacceptable."

William Cohen, the US defence secretary, and Madeleine Albright, the secretary of state, have also been at pains to make clear what the expected military action will not achieve. In the face of many people's expectations, the bombing campaign is not intended to overthrow Mr Saddam nor to destroy his arsenal of biological and chemical weapons.

"If one has to resort to military action, one should not overestimate what they will in fact achieve," Mr Cohen said. "Let's not raise unreasonable expectations."

The end, then, is clear: to persuade Mr Saddam to work with the UN. What is less clear are the means required to achieve that end. The defence secretary has said that the campaign will attack sites used to store or produce weapons of mass destruction, missile facilities and other military installations used by the Iraqi leader "to threaten his neighbours".

What remains a wide-open question is whether the Clinton administration will go further, heeding the advice of hawkish US commentators by focusing the attacks

In the line of fire

Bruce Clark on the military aims and options in Iraq



on the Republican Guard: both the elite division in the Baghdad area, which keeps the Iraqi leader in power, and the half-dozen divisions which he has used against Kuwait and the Kurds.

Even if they failed to dislodge the Iraqi leader from power, attacks on the guard would weaken his ability to fend off challenges to his authority, says Michael Eisenstadt of the Washington Institute for Near East Policy.

Whether that strategy is adopted or not, the scale of the bombing campaign seems to be growing by the day. In the words of Mr Cohen, it will be "significant, more than a pinprick".

This formula is assumed to mean that bombing raids would be sustained for several days, with the option of continuing over several weeks if the Iraqi leader shows no sign of backing down.

Admiral Michael Mullen, a US commander on board the aircraft carrier George Washington, has said sea-based bombers alone could attack Iraqi targets for several weeks "in a very precise and devastating manner".

The build-up of US and British forces in the region is much the biggest since the Gulf war, though it is still much smaller than the coalition assembled in 1991.

Two US aircraft carriers,

each carrying 70 fighters, and one much smaller British one, are in the Gulf already, while a third US carrier is on the way. Also nearby are four US destroyers, two guided-missile frigates and three attack submarines.

The US warships are understood to be carrying more than 250 Tomahawk cruise missiles, more than were used during the Gulf war, and their capacity to reload has been upgraded. The Pentagon says it can call on 300 aircraft in the region - far less than the US 1,200 deployed in 1991, but still enough to do the job.

The military capacity of these forces will depend in part on the help or hindrance they get in the region. Defence chiefs say they can still cope if, as seems likely, the Saudi government restricts the use of US bases on its territory to support aircraft (carrying early-warning systems and refuelling equipment) rather than fighters directly engaged in raids on Iraq. A harder challenge will be posed if the Saudis deny any logistical support.

That could mean relying mainly on the carriers, as well as B-52 bombers based on the British island of Diego Garcia in the Indian Ocean. Seaborne bombers carry smaller payloads than land-based ones.

But since 1991, the US has further refined the superb communications systems that are used to give precision-guided missiles their pinpoint accuracy - and developed deadly weapons like CBU-97 precision cluster bomb, some 30 of which can be loaded on a single B-1 bomber. This means that scores of tanks could be destroyed on a single sortie.

Such accuracy, though, may not be enough to allay what everyone considers the biggest fear: that Mr Saddam has secretly produced weapons of mass destruction (although not, as yet, the means to deliver them) in terrifying quantities.

A bombing campaign that left the arsenal diminished but very much intact, and failed to weaken the Iraqi leader's grip on power, could weaken the US hand and leave Mr Saddam as the moral victor.

This fear has been expressed openly by US Congressional leaders and may well be shared privately by pro-western governments in the Middle East, who have always felt they have most to lose from an attack on Mr Saddam which enraged him but failed to destroy him.

An even darker nightmare is the remote possibility that parts of Iraq's deadly arsenal will somehow be unleashed, either deliberately or as a side-effect of US bombing. US officials have said little in public about how they would avoid the danger of dispersing biological and chemical weapons in the course of attacking them - a ghastly outcome that would play into the hands of Mr Saddam's propaganda machine. But Pentagon officials disclosed to Defense Daily, a specialist publication, that there were considering the use of 2,000lb "Walleye" bombs, developed during the Vietnam war, which would bury WMD facilities under rubble rather than destroy them. US officials have played down the possibility of Iraq deliberately using poison or nerve gas. Baghdad is assumed not to possess any medium-range rockets that could be tipped with these deadly weapons.

But US officials still feel strongly enough about this danger to issue not one, but several warnings, that Baghdad would face a "devastating" response - an ambiguous formula that does not exclude "tactical" nuclear weapons - if it were to use its non-conventional armory.

COMPANIES AND FINANCE: EUROPE

KLM mulls buy-back of state's stake

By Barbara Smit
in Amsterdam

KLM, the Dutch airline, yesterday confirmed it was considering a buy-back of the 25 per cent stake held by the Dutch government, as well as other share packages.

The carrier is keen to reduce a mounting cash pile which at the end of last year was about £1.2bn (\$1.37bn). KLM stands to make another \$600m from the sale of its remaining stake in

Northwest Airlines, its US partner, in the first quarter of this year.

With a string of divestments planned as part of a restructuring, analysts say the airline could have as much as £1.4bn at its disposal in the near future.

After last year's 13 per cent state sell-off, KLM has always made clear it may be interested in buying back part of the remaining 25 per cent stake.

The state holding includes an 11 per cent package of

common shares, and a 14 per cent stake in preferential stock.

However, Rob Abrahamson, chief financial officer, stressed yesterday that KLM was also looking at "several other categories" of shares, which he refused to specify.

Analysts suggested that the airline may be eyeing the 4.8m participation certificates - which carry no voting rights - held by the pension funds of KLM pilots.

At current prices, this 6.5 per cent holding is worth

approximately £1.35bn.

"This would make a lot of sense," said Richard Brakenhoff, analyst at Kempen & Co.

"By acquiring all the government's common shares and the pension funds certificates, KLM would structurally boost its earnings per share by some 17 per cent."

It was deemed less likely that the government would let go of its preferred stock.

Given the low level of

interest rates, share buy-backs have become an attractive option for many Dutch companies, although the practice is still hampered by unfavourable tax rules.

Analysts expect many more such transactions later this year, after the adoption of tax reforms that should make them less expensive.

Mr Brakenhoff added that buying back shares was the most logical solution to KLM's cash surplus, because it lacked other investment opportunities.

He said: "Since all the troubles with Northwest Airlines, KLM has become a bit paranoid about minority stakes in other airlines."

In spite of this, KLM last year acquired a 30 per cent stake in Braathens, the Norwegian carrier, and is also looking at stakes in privatised east European airlines.

The Dutch airline's collaboration with Italy's Alitalia, agreed last year, did not involve any share transactions.

EUROPEAN NEWS DIGEST

Daf plans further production rise

Daf, the Dutch truckmaker bought by Paccar of the US last year, is to recruit 300 workers at its Eindhoven and Westerlo plants and is to increase production for the fourth time within 12 months.

The moves by the company, which was rescued from receivership by the Dutch and Belgian governments several years ago, follow a 41 per cent increase in sales of Dutch and Belgian-produced trucks last year, to a record 23,700.

When trucks built for Daf by the separately-owned Leyland Trucks in the UK are included, total sales reached 33,500. Under the ownership of Seattle-based Paccar, the world's second-biggest heavy truckmaker, Daf has launched into a wide ranging product renewal programme and is expecting further substantial growth this year, said Cor Baan, president.

While Daf's financial results are no longer reported separately, Mr Baan said turnover last year rose from £1.3bn to £1.35bn (\$1.76bn) and that "net profit has followed this track".

Paccar, which has never incurred a loss in more than 60 years of trading, yesterday announced soaring sales and record profits for last year. Net income jumped 71 per cent to \$344.6m, or \$4.43 a share, from \$201m, or \$2.59 a share in the previous year. Consolidated sales were 50 per cent higher at \$6.5bn. Unit sales of Paccar's Peterbilt, Kenworth, Daf and Foden trucks rose to just under 80,000, said Mark Piggott, chairman.

The latest planned production increase at Daf will lift output to 110 trucks a day. At the time of Paccar's takeover, daily output was 65 trucks. Daf has now become "probably Europe's most profitable truck maker", Mr Piggott said.

Renault VI, the truck making arm of the French carmaker, yesterday reported a 12 per cent advance in annual unit sales, spurred by export growth and a strong performance by Mack Trucks, its US heavy trucks subsidiary. The improvement, from 64,560 vehicles in 1996 to 72,280, puts the group within striking distance of 1995 sales levels of more than 75,000 units.

Mack accounted for the bulk of the gain, with sales ahead 20 per cent to 30,025, against 25,010 in 1996. The group said Mack started the current year with "exceptional" order bookings. It expects the European market for trucks over five tonnes to remain stable in 1998 at about 250,000 registrations. *David Owen, Paris*

VOICE TECHNOLOGY

Belgian group sharply up

Lernout & Hauspie, the Belgium-based voice technology specialist in which Microsoft recently acquired a 54.5m stake, yesterday announced sharply higher fourth-quarter and full-year results together with plans for a 2-for-1 stock split.

The 10-year-old company, which is quoted on the Nasdaq and Easdaq exchanges, reported fourth-quarter net income including one-time charges and currency gains of \$9.5m, compared with a loss of \$9m a year earlier, on revenues up 150 per cent to \$33.8m.

Revenues for the group, which announced a strategic partnership with Microsoft in September, included \$8.5m from the core speech technologies activities, \$10.1m from the dictation division, \$10.5m from translation services and \$4.8m from machine translation.

For the full year, the company reported net income excluding one-time charges of \$22m, or \$1.14 a share, compared with \$3.5m, or 0.21 a share, in 1996. *Paul Taylor, Brussels*

PACKAGING

CGIP to halve Crown Cork stake

Compagnie Générale d'Industrie et de Participations, the French industrial holding company headed by Ernest-Antoine Seillière, president of the country's main employers' federation, is selling about half its stake in Crown Cork & Seal.

CGIP said that the sale back to the US packaging group of 5.3 per cent of its equity capital would close on March 2 and that it would receive about FF2.2bn (\$361m).

CGIP, whose holdings include stakes in Cap Gemini, the computer consultancy, and Valeo, the car parts group, said the deal was "to strengthen its cash position and take strategic initiatives".

Following the transaction, it will hold 4.99 per cent of Crown Cork & Seal shares. The companies said that the deal put an end to a 1996 shareholders' agreement and that CGIP would lose the right to designate Crown Cork & Seal directors. *David Owen*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Bosch benefits from Mercedes' mishap

When Mercedes-Benz admitted it had a problem with its wayward A-Class car, observers assumed the biggest beneficiaries would be rivals, such as Volkswagen, into whose small car territory it had strayed.

Almost four months after the A-Class's misadventures in the now infamous "elk test" manoeuvre, the focus has shifted to suppliers.

None has more to gain than Robert Bosch, the world's second biggest car parts group, which is one of Mercedes-Benz's most important suppliers.

Bosch specialises in car parts, but has operations in consumer goods, telecoms and capital equipment. It makes the electronic black boxes which will keep the A-Class on four wheels when encountering Nordic beasts or other diversions, by applying the brakes selectively to prevent roll.

Hermann Scholl, Bosch's chairman since 1993, is the last to gloat about the problems at one of his best customers. But he admits Mercedes-Benz's position as one of the biggest manufacturers and gave it a large slice of the US market.

Brakes are now the biggest single part of the group's automotive division, itself Bosch's largest business. The company is about to announce group sales rose more than 13 per cent to DM46.5bn (£35.6bn) last year. About 62 per cent - or

The decision to re-engineer the A-Class has drawn attention to ESP, a system so far limited to luxury cars which now looks set to break into the mass market.

Many analysts believe Mercedes' decision to install ESP will create a new benchmark in the small car segment, obliging others to follow suit. And Bosch's speedy response to its customer's dilemma has improved relations with one of its best clients.

"I have the feeling Mercedes-Benz really understood we made a very big effort for a major customer. I think that has been acknowledged," says Mr Scholl.

ESP is an extension of the automated braking systems which first brought electronics into the mechanical world of brakes. ABS, one of Bosch's main businesses, like ESP, started on luxury cars before trickling down.

Braking and stability control systems were already growing for Bosch before the A-Class affair. In 1996, it bought the light vehicle braking activities of AlliedSignal, of the US. That consolidated Bosch's position as one of the biggest manufacturers and gave it a large slice of the US market.

Brakes are now the biggest single part of the group's automotive division, itself Bosch's largest business. The company is about to announce group sales rose more than 13 per cent to DM46.5bn (£35.6bn) last year. About 62 per cent - or

DM29bn - came from the motor industry, with braking systems accounting for about DM6bn. Power tools, white goods and heating equipment are expected to have represented about DM10bn; telecoms about DM5bn; and capital equipment, DM2bn.

About six percentage points of last year's rise in group sales came from genuine growth, says Mr Scholl, while four percentage points derived from acquisitions, notably the first full year's contribution from AlliedSignal operations. The sales increase was "about 3 per cent more than I had expected" and was driven by the automotive and consumer goods sides, he says.

Nevertheless, the pressure on components has been relentless as carmakers have demanded lower prices. "Due to the strong globalisation of the motor industry and our dependence on many German plants, the profitability of the automotive side has deteriorated significantly in the past five to seven years," Mr Scholl says.

He has already introduced plans to improve matters. Braking was reorganised last year into one operation, spanning the world. Although car demand is fairly mature in Europe, the US and Japan, he sees potential in new markets. Even in mature regions, growth



Hermann Scholl: 'substantial additional business'

could come from the adoption of more sophisticated products such as ESP.

He does not envisage any big acquisitions on the automotive side, although he is alive to opportunities in Asia after the turmoil there.

The diesel and petrol engine systems business - about as big as braking for Bosch - is already well established around the world. Here the growth potential lies in technological change. Bosch is the leader in common-rail diesel engines, which are emerging at the forefront of a number of new techniques to improve performance and reduce emissions. The company is also active in direct injection petrol engines.

Mr Scholl sees big potential through links between

businesses, such as in-car entertainment, navigation systems and telecoms.

Bosch is one of the world's two main producers of on-board navigation systems. Demand has so far been relatively small, largely because of limited software and high prices. But Mr Scholl reckons sales could leap with the incorporation of real-time traffic information into route-planning systems.

Such a development will remove one of the most important limitations for on-board navigation technology. The other hurdle remains price, but costs will fall as volumes rise to meet expected growth in demand.

Haig Simonian and Graham Bowley

Brussels clears Roche's Corange deal

By Emma Tucker in Brussels

Roche, the Swiss pharmaceutical group, has won European Union regulatory clearance for its \$11bn takeover of Corange, a private Bermuda-based company which owns the German diagnostics company Boehringer Mannheim, by agreeing to sell most of its clinical chemistry in-vitro diagnostics business.

It will also have to offer more licences for PCR, the technique used in diagnostics and DNA fingerprinting to detect genetic material.

A five month antitrust investigation by the European Commission concluded that Roche's takeover of Corange, a leading medical diagnos-

tics specialist, would squeeze competition in clinical chemistry. The Commission said the concessions, which it will monitor closely, were enough to reduce the parties' market shares and strength in the relevant national and product markets.

"The EU's conditions are hard, but they have no substantial effect on the acquisition," said Roche.

The takeover must still be cleared by the US Federal Trade Commission. Roche expects the FTC announcement "in the near future".

The Roche-Corange deal, announced last May, is the biggest acquisition in Roche's history and will create one of the world's top two companies in the \$19bn-a-year mar-

ket for diagnostic equipment, with annual sales of \$Fr3.5bn (\$2.3bn) and 13,500 staff.

The Commission inquiry found that for clinical chemistry in-vitro diagnostics - used to test for glucose, cholesterol, sodium and other substances in the body - the merged company would have a dominant position in Austria, Denmark, Germany, Finland, Portugal, Spain and Sweden. Roche, therefore, agreed to divest the majority of its business in these member states.

The Commission also found that Roche had built a dominant position in the market for DNA probes in all member states of the European Economic Area - the European Union

plus Norway, Iceland and Liechtenstein.

The merger would have strengthened this position even further, as Boehringer Mannheim was about to enter the market and would have become one of Roche's most serious competitors.

Brussels believes the agreement to license the PCR technology will allow new entrants into the DNA probe market and should accelerate that market's development.

Through the deal, Roche will also acquire control of DePuy, a US-quoted company which is 84.2 per cent owned by Corange. DePuy is one of the world's leading manufacturers of artificial joints.

New Issue

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February 4, 1998

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Selomon Smith Barney
International

Société Générale

Newmont Mining Corporation

Annual results 1997

- EPS up 70 % before merger costs
- A record production of nearly 4 million equity ounces

Activity

Newmont Mining Corporation and Newmont Gold Company earned \$1.07 per share for the full year before costs associated with the acquisition of Santa Fe Pacific Gold Corporation.

Newmont's Chairman, President and Chief Executive Officer Ronald C. Cambre said 1997 was "an outstanding year. Despite a \$41-an-ounce drop in the realized gold price, we achieved what we set out to accomplish". He said highlights for the past year included:

- The successful and orderly integration of Santa Fe.
- Record production of nearly 4 million equity ounces against 3.1 million in 1996.
- A 14 percent reduction in total cash costs to \$187 per equity ounce, making Newmont the lowest cost producer among the world's senior gold companies.
- The start of construction at Batu Hijau in Indonesia.

Consolidated income statement

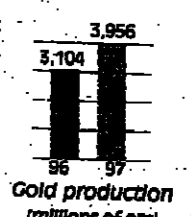
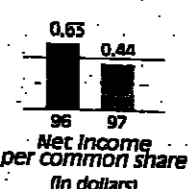
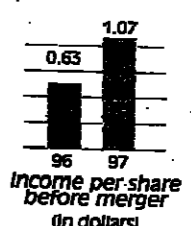
(in millions of \$, except per ounce)	1996	1997
Sales	1,108.7	1,572.8
Income before taxes and minority interest	89.3	151.9
Newmont Gold net income before merger & non-recurring items	105.2	177.3
Newmont Gold net income (1)	105.2	172.9
Newmont Mining net income (1)	98.6	168.5
Cash costs per ounce	218.0	197.0

(1) Newmont Mining Corporation holds 94 % of Newmont Gold Company.

Prospects

Looking forward, Mr Cambre said Newmont expects to produce between 3.8 and 4 million ounces of gold annually through the year 2000 at a total cash cost of under \$200 an ounce. "We will adjust production schedules and capital outlays as needed to maximize cash flow, thus assuring that we can continue to grow while remaining in a strong financial position".

Newmont Gold Company



Shareholder information
For a full copy of the news release in English, please address all requests to Banque Paribas - ref. 221 3, rue d'Antin - 75002 Paris, France.

COMPANIES AND FINANCE: EUROPE

SBC lifts payout 20% ahead of merger

By William Hall in Basel

Swiss Bank Corporation yesterday reported a 60 per cent increase in 1997 net income to Sfr2.1bn (\$1.4bn), which was below some analysts' expectations, but sweetened the disappointment by proposing to raise its dividend by 20 per cent.

SBC announced the result at yesterday's extraordinary general meeting, where shareholders overwhelmingly voted to merge with UBS and end SBC's 125 years of independence. Although

the profit was in line with the bank's earlier forecasts, it was lower than the Sfr2.5bn that some analysts had been forecasting as recently as last December. Net income of about Sfr300m in the second half of 1997 was about Sfr200m higher than in the comparable period of 1996, but it was sharply down on the Sfr1.33bn earned in the first half of 1997. SBC's profits have been growing faster than those of its two bigger rivals, but the results suggest its trading profits have

been hurt by the recent volatility in the financial markets and the problems in south-east Asia. SBC will report a "technical loss" of Sfr300m for 1997 because of the need to shoulder its share of the Sfr7bn restructuring costs of the merger with UBS. Although it will have lost money for two years in a row, Marcel Ospel, SBC chief executive, said the results, before special factors, were comfortably ahead of budget and the dividend would be increased to Sfr12 a share to mark the

"successful performance". He also indicated that the new UBS would aim to pay out between 40 per cent and 50 per cent of its earnings. Mr Ospel, who will be chief executive of the enlarged group, said the new group had set itself some "very ambitious" goals. Nevertheless, even if it achieved a sustainable rate of return on equity of between 15 per cent and 20 per cent, it would still be well below that achieved by comparable banks in the US and UK. Mr Ospel said the group's

enlarged private banking business, which would be the highest in the world, will grow revenues by 10 per cent a year and its activities outside Switzerland would be significantly expanded. It will also be the world's fourth biggest asset manager with a goal to deliver superior investment performance and rank in the top third of its peer group. Revenues on this side of the business are targeted to grow by 12 per cent a year and the emphasis will be on globalising investment fund

distribution and expanding pension fund management. In investment banking, the aim is to be one of the top five international investment banks. Mr Ospel also went to some lengths to back up UBS's claims that the two banks were not suffering a massive defection of clients as a result of the merger. SBC had enjoyed a net inflow of client funds since the merger announcement which was a clear sign of customer confidence, he said.

EUROPEAN NEWS DIGEST

Astra USA sues ex-chief executive

Astra USA, a unit of Swedish pharmaceuticals company Astra, has filed a suit against Lars Bildman, former chief executive, alleging fraud and related wrongdoing. The company claims in the suit that Mr Bildman used Astra USA funds to perform about \$2.3m of work on three homes he once owned. The company is seeking reimbursement for that and other expenses. It hopes to obtain an award in excess of \$15m.

An attorney representing Mr Bildman was not immediately available to comment. Mr Bildman was fired by the company in June 1996. At that time, Astra accused him of using company funds for personal expenses. He also faced allegations of sexual harassment.

Reuters, Boston

OIL
Saipem rises 10% to L266bn

Saipem, the oilfield services division of Eni, the Italian oil and gas group, has reported a 10 per cent rise in 1997 operating income ahead of a planned share issue that will see its parent company reduce its stake from 66 per cent to about 45 per cent. The company said operating income last year was L266bn (\$186m), against L242bn in 1996. Operating revenues rose from L2,802bn to L3,189bn, and net income was L200bn, against L175bn. Saipem's share issue, due to get under way next month, is expected to raise up to L1,200bn. Some 40m new shares will be issued. SBC Warburg Dillon Read, which has been advising Saipem, is joint lead manager and bookrunner with Goldman Sachs and IMI, the Italian investment bank.

Vincent Boland

FASHION RETAILING
H&M to expand after 32% lift

Hennes & Mauritz, the Swedish-based international fashion retailer, is stepping up its rapid European expansion with plans to open 60 outlets this year. H&M, which yesterday reported a 32 per cent surge in full-year profits, said six of the stores would be in France, a new market. Pre-tax profits rose from Skr1.9bn to Skr2.5bn (\$309m). This was in line with market expectations but H&M shares fell Skr11.50 to Skr332 on profit-taking. The company added 47 stores during 1997, helping to lift sales from Skr17.2bn to Skr21.3bn. H&M said demand was weak throughout 1997 across the 11 countries in which it operates, although a slight improvement was noted in Scandinavia. Short-term and long-term liabilities rose from Skr2bn to Skr2.46bn. Earnings per share advanced from Skr6.43 to Skr8.17 and the dividend was set at Skr3.

Greg Mcivor, Stockholm

BRICKS
Wienerberger jumps 55%

Wienerberger Baustoffindustrie AG, Austria, the world's biggest brickmaker, said yesterday 1997 pre-tax, pre-exceptional profits rose 55 per cent from Sch1.37bn to Sch2.12bn (\$166m). Sales rose 2 per cent to Sch15.4bn. The company had forecast a 25 per cent rise in profits to Sch1.7bn, which was revised in mid-1997 to Sch2bn. It said it wanted to develop its industrial activities while keeping profits at a high level.

AFX News, Brussels

Telekom warns of cuts in investment

By Frederick Stüdemann in Hanover

Deutsche Telekom, Germany's biggest telecom company, yesterday warned that an unfriendly regulatory environment could force it to scale back substantial infrastructure investment plans.

Ron Sommer, chairman, said that while he welcomed the liberalisation of Germany's telecommunications market at the start of the year, Deutsche Telekom resented having to "roll out the red carpet for our competitors" by providing infrastructure and other services at below cost.

He said that Deutsche Telekom, which was partially privatised in 1994, planned to invest DM50bn (\$27.5bn) by 2002, more than double the amount planned by the company's three main competitors put together. "We will examine carefully whether we can afford such considerable investments in the future of the information society if competitors profit for free from them and the productivity gains they create."

Deutsche Telekom would not "subsidise" its competitors, he said.

"In plain words, this means, for instance, that we expect our competitors to substantially share the costs involved if we create the technical and administrative conditions for a customer to be able to switch to a rival."

Mr Sommer's comments follow Deutsche Telekom's reluctant concession last month to reduce by half charges levied on customers switching to the company's competitors - most of which lease capacity from the former monopoly.

Separately, Deutsche Telekom yesterday announced the establishment of a new subsidiary, called T-Mat, to develop internet retailing possibilities for Germany's small and medium-sized businesses.

The other partners in the venture are International Business Machines, the US computer company, and Intershop, a German electronic commerce group which is partly owned by Deutsche Telekom.

Beetles want Beatles, if VW can afford it

By Graham Bowley in Frankfurt and Alice Rawsthorn in London

Volkswagen, the German car company, hopes to ride a wave of 1960s nostalgia by featuring the Beatles' music in launch advertising for its new Beetle car.

If the deal goes ahead, Volkswagen would be expected to pay a record sum.

The highest amount paid so far for the advertising rights to a single song is the \$8m paid by Microsoft to the Rolling Stones to feature Start Me Up in its Windows 95 campaign. Bruce Springsteen is said to have rejected a \$12m offer from Chrysler in 1997 to use Born in the USA in a car commercial.

Volkswagen confirmed this week that it was in "early, early" discussions with Apple, the Beatles' management company, in the hope of securing consent of the three surviving band members - Paul McCartney, George Harrison and Ringo Starr - and Yoko Ono, John Lennon's widow.

The first time a Beatles song was used in an advertisement ended in controversy when Apple claimed that Nike had used Revolution in a 1987 sports shoe commercial without permission. Apple sued Nike and its advertising agency, together with Capitol, the Beatles' US record label, and EMI, the latter's parent company, claiming \$15m in damages. Reluctant to risk a repetition, Volkswagen will include Beatles' music in the Beetle campaign, due to start in the US this spring



The Fab Four may back VW's new car, if rights are granted

and the UK next year, only with Apple's consent.

If Apple agrees, Volkswagen will have to negotiate a price for the advertising rights with the owner of the chosen song. The rights to almost all the classic Beatles' compositions belong to Sony ATV Music Publishing. Sony acquired Northern Songs, the Beatles' music publishing catalogue, in 1995 as part of a \$500m deal with Michael Jackson, one of its best-selling pop singers. Mr

Jackson, now a minority shareholder in Sony ATV, bought Northern Songs and other music publishing rights for \$48m in 1985.

The value of the advertising rights to pop and rock songs has risen rapidly in recent years, as advertisers have sought to appeal to ageing "baby boomers" as well as to younger consumers. Aretha Franklin, the US singer, even re-recorded Rescue Me as Deliver Me for a Pizza Hut commercial.

French group sniffs out funds to market 'nose'

By Andrew Jack in Paris

A small French company in the south western city of Toulouse plans to seek money with a quotation on the Paris "nouveau marché" this spring to help it finance the marketing of its pioneering electronic noses and tongues.

Alpha MOS, founded in 1992, claims to be the world leader in the development of "noses" which are already widely used in corporate research laboratories and being introduced to help quality control in manufacturing.

One hundred of its systems have already been bought by companies includ-

ing Coca-Cola in the US, Danone in France and Unilever in the Netherlands.

The international police network Interpol has worked with the company to build up a databank of the smells of criminals and to investigate criminal activities through such analysis as detecting the odours of different banknote inks.

Alpha MOS is also running a pilot project with the RATP, the Paris transport authority, to survey the smells in its underground system and to regulate the introduction of perfumes.

Jean-Christophe Milsud, the chemist who founded the company and is its president, stressed that his sys-

tem would never replace the need for human creativity in developing new food, drinks, perfumes and other products, but it could help ensure consistency.

The company has previously focused on its "electronic nose", with applications in the agro-food, chemicals, perfumes, cosmetics and packaging sectors. It estimates there will be considerable growth in applications related to the environment in the future, such as monitoring pollution levels.

However, it is also developing an "electronic tongue" to detect odours in liquids, and is working with Dutch researchers on an "electronic mouth".

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SETTING A HIGHER STANDARD

COMMODITIES: The Silver Market

FT writers assess the impact of the disclosure that Warren Buffett owns 20% of the world's silver

Risky move by the Sage of Omaha

Investor may find it hard to profit from venture, writes Kenneth Gooding

Warren Buffett, might be America's most famous and best respected investor, but bullion market traders were insisting yesterday that the "Sage of Omaha" was taking a big risk by venturing into the silver market in such a big way.

By telling the world his Nebraska-based Berkshire Hathaway financial services and investment company had bought nearly 180m ounces of silver, "he is like a battleship, looming large on the horizon and an easy target to be sunk," said one.

Analysts estimate Berkshire spent about US\$700m on the silver hoard, which is equivalent to about 16 per cent of the world's silver supply. It is about as much as India, the world's biggest consumer, absorbed last year.

At cost, Berkshire's silver holding amounts to less than 2 per cent of the value of the company's overall portfolio. But silver market insiders said Berkshire could find it hard to turn a profit on its silver play.

Rhona O'Connell, analyst at specialist stockbroker T. Hoare, pointed out: "His announcement might serve to draw in other speculative players, but the physical demand side of the market will not put up with these prices, or this volatility, for long."

Ms O'Connell said demand in India had dried up completely in recent weeks as Mr Buffett's buying spree sent the silver price above US\$5 an ounce. Since Berkshire Hathaway started buying on July 25, silver's price

has risen by more than 50 per cent to a 94-year high of about \$7 an ounce.

The market has also been awash with rumours that some manipulation has taken place and that silver was being moved from warehouses in New York, where it is visible because stock figures are regularly reported, to London, where stocks are not reported.

Last week a Canadian investor filed a lawsuit in New York accusing Phibro, the commodity arm of the Travelers financial services group, and other unnamed parties, of removing stocks to push prices higher. Phibro denied the allegation.

Berkshire is a big shareholder in Travelers, and Phibro said yesterday it did act as Berkshire's broker in the silver deals. Analysts suggested the future caused by the manipulation allegations caused Mr Buffett to reveal his hand early. Normally, he would have disclosed the silver deals in Berkshire's annual report next month.

Berkshire's announcement makes clear that Mr Buffett is no stranger to the silver business. "Over 30 years ago [he] made his first purchase of silver in anticipation of the metal's demonetisation by the US government. Since that time he has followed silver's fundamentals, but no entity he manages has owned it," it said.

"In recent years, widely published reports have shown that bullion inventories have fallen very materially, because of an excess of user-demand over mine production and reclamation."

Precious gains



Warren Buffett (above) has acquired almost legendary status for his willingness to make large and often long-term equity investments in other companies. Berkshire Hathaway, his publicly quoted investment vehicle, has minority stakes in Gillette, Coca-Cola and Wells Fargo. It recently swapped a stake in Salomon, the investment banking group, for shares in Travelers, the financial services group which owns Phibro, when the two companies merged. Berkshire's stated net worth at the end of 1996 was about \$23.4bn.

Source: World Silver Survey 1997, Datastream/ICV

Therefore, last summer Mr Buffett and Charlie Munger, vice-chairman of Berkshire, concluded that equilibrium between supply and demand was only likely to be established by a somewhat higher price. Berkshire is not acting with any other organisation, it added, and it "has no present plans for purchase or sale of silver."

Mr Buffett is not the only one to have been attracted by the idea that silver consumption has been so far ahead of supply for so long that stocks available at prices below \$5 might be running out.

Stewart Murray, managing director of the Gold Fields Mineral Services consultancy which produces an annual silver market review, estimates that, since 1990, the "gap" between supply and demand totals 24,800 tonnes.

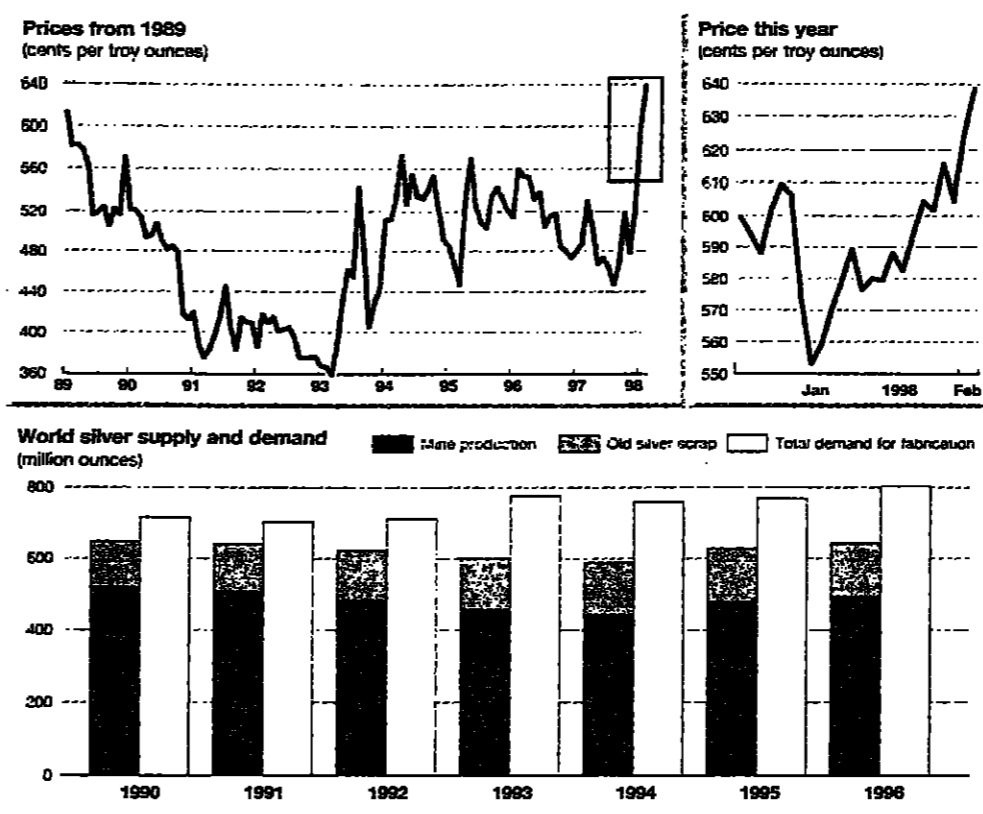
In that time, however, identifiable stocks of silver had fallen by 17,000 tonnes. But nobody could make a sensible guess about how much silver is left in stocks and ready to come to market if prices go higher.

And at what price would Mr Buffett be coaxed to sell? Andy Smith, analyst at Union Bank of Switzerland, suggests Berkshire probably paid an average of \$5 an ounce for its silver and

its position was unchanged. Mr Buffett's large silver holdings - while they could have an ongoing bearing on Comex trading - would not be a matter which the exchange could even expect to regulate; its jurisdiction is limited to firms or individuals participating in the Comex market itself.

The Commodity Futures Trading Commission, which regulates the US futures industry generally, also maintained an official silence over the Berkshire statement.

However, it did confirm that its heightened surveillance of the silver market, announced earlier this month, remained in effect.



PRICING

Bangles skew supply and demand

By Kenneth Gooding, Mining Correspondent

Silver has a split personality. It is part precious metal, part industrial material. This makes for a complex market, one in which the basics of supply and demand do not always have the impact on prices that would apply for metals such as copper and aluminium that are produced to be used, not hoarded.

Indian farmers stock up with silver bangles when they have the money from a good harvest. On the other hand, in industrial countries silver is an essential material for, among other things, some computer keyboard components and electrical contacts, as well as for X-ray film.

Most industrial demand for silver is not significantly affected by variations in the price. The metal has a number of unique properties, including strength, malleability and ductility, electrical and thermal conductivity, sensitivity to and high reflectance of light and the ability to endure extreme temperature ranges. All these restrict its substitution in most applications.

Roughly one-third of demand for silver comes from photographic film and paper manufacturers, one third from producers of jewellery and silverware, and the rest from a broad range of industrial applications, including electrical, electronics, batteries, solders, catalysts, mirrors, water purification and bearings.

Much of the jewellery and silverware produced is used for investment purposes, mainly in India. Heavy-weight silver jewellery is the favourite form of saving by farmers in India's northern tribal belt.

They buy when monsoons give good harvests and sell in lean years. Several good harvests in a row have helped to boost India's annual silver off-take to about 4,000 tonnes, about 16 per cent of global demand.

This part of the silver market is very price-sensitive. Traders suggest Indians virtually stopped buying silver recently when the price went above US\$5 an ounce, believing that was too expensive.

Makan Lal Damani, president of the Bombay Bullion Association, said yesterday that if the price stayed near \$7 an ounce, Indian demand was likely to fall by half to 2,000 tonnes this year.

One question that must be asked is whether Warren Buffett and other silver bulls is: what price is needed to persuade Indian hoarders to sell?

"Anywhere from \$7.50 an ounce to \$10 will see them starting to offer it," said one Dubai precious metals trader yesterday.

India certainly holds the key to silver market trends, says Stewart Murray, managing director of the Gold Fields Mineral Services consultancy, which produces the annual silver market review for the Washington based Silver Institute. But there are many other factors, apart from price, that influence investors there.

Although the statistics are far from complete, the indications so far are that demand for silver last year continued its steady rise, as did mine output.

PHIBRO LAWSUIT - By Nikki Tait

Lawyer says action not withdrawn

Christopher Lovell, the Manhattan-based attorney, who filed a potential class action lawsuit on behalf of a Canadian investor alleging price manipulation in the silver market, said yesterday the suit had not been withdrawn in the light of the statement by Berkshire Hathaway, Warren Buffett's investment company - not were there any immediate plans to do so. "We are still investigating," he said.

The revelations made it "less likely that silver was being bought for commercial purposes or by fabricators", he added, but declined to say whether, how or when the suit might be amended, if it was not withdrawn.

The nub of the suit was to accuse Phibro, the commodity trading arm of the Travelers insurance group, and other unnamed parties of buying up silver from warehouses registered with the Commodity Exchange of New York, the futures market that is part of the New York Mercantile Exchange. That silver, the suit alleged, was shipped to London, where it was not subject to the same disclosure.

Phibro denied the allegations at the time, and said it had neither removed silver from Comex warehouses nor shipped it to England - or elsewhere - within the past 18 months.

However, Phibro did

confirm yesterday that it had been the brokerage house acting for Berkshire. And Berkshire - which holds a minority stake in Travelers - made clear that all the physical silver it bought had required delivery in London.

The suit also alleged the defendants took positions on the Comex market, both in futures and options, designed to influence silver futures trading "purposely co-ordinating their activities to take advantage of the sensitivity of silver prices to Comex silver stocks".

Phibro yesterday declined to make any further comment on this segment of the suit, or elaborate on what

trades it might have on its own, or anyone else's behalf. It merely repeated its broad, and strenuous, denials of the allegations - including an assertion that it had never acted in concert with any other party in the silver market.

The possibility of a counter-suit, mooted last week, was still under consideration, Phibro said.

Berkshire, for its part, said it had never held silver options, and had always been unaware of the actions of positions of other market participants.

Meanwhile, Nymex, which insisted last week that it saw absolutely no basis for allegations of manipulation, said

its position was unchanged. Mr Buffett's large silver holdings - while they could have an ongoing bearing on Comex trading - would not be a matter which the exchange could even expect to regulate; its jurisdiction is limited to firms or individuals participating in the Comex market itself.

The Commodity Futures Trading Commission, which regulates the US futures industry generally, also maintained an official silence over the Berkshire statement.

However, it did confirm that its heightened surveillance of the silver market, announced earlier this month, remained in effect.

BUNKER HUNT - By Gary Mead

Brothers who tried to corner the market

Silver last grabbed big headlines almost two decades ago, when the price leapt from \$6 in August 1979 to more than \$60 a troy ounce by January 1980.

There were fears for the stability of the US banking system and Paul Volcker, then chairman of the Federal Reserve, had to step in to calm nerves.

The crisis was sparked by Nelson Bunker Hunt, a portly Texas oil billionaire then one of the world's wealthiest individuals.

Together with some Arab partners, Bunker Hunt and his brother William Herbert Hunt mounted an audacious attempt to corner the world's silver market, amassing almost 300m ounces - then about half the world's deliverable silver.

The Hunts' father was Haroldson Lafayette Hunt, a professional poker player known as Arkansas Slim who later established Hunt Oil, the largest independent producer of oil and natural gas in the US. Bunker Hunt once said: "A man who knows how much he is worth ain't worth nothing."

The Hunt brothers had always been keen commodity speculators, having built large positions in soybeans in the mid-1970s, pushing the price to dizzy heights.

But their Midas touch ran out when it came to silver. By early 1980, silver's price began to slide as first the New York Commodity Exchange halted trading, and the hugely inflated price began to flush out massive stocks.

The Hunt brothers were unable to meet their margin calls - the sum required by their brokers, generally 10 per cent of the total trade, to be put up as a deposit.

They had to be bailed out by their bankers, with initial losses in excess of \$1bn. Suddenly it became very important for Nelson Bunker Hunt to know precisely how much he was worth. Their silver losses left large debts, and they compounded the problem by later, equally poor, investments.

After a protracted legal wrangle a US federal jury concluded in August 1988 that the two brothers had conspired to manipulate the silver price. Borne down by litigation and back-tax claims, the brothers filed for bankruptcy in September 1988.

In 1989, Bunker Hunt reached a settlement with the Commodity Futures Trading Commission accepting a lifetime ban from trading in commodities futures and paid a fine of \$10m.

PREPARING FOR EMU
THE BUSINESS PERSPECTIVE

Hosted by Quentin Peel, Foreign Editor, the FT is holding a Breakfast Seminar to examine how EMU is likely to impact on business and how European Companies are preparing.

The seminar is to be held in
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If you would like to attend please contact Julie Arnold on
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OFFSHORE AND OVERSEAS

BERMUDA
(FSA RECOGNISED)

	Index	Ranking	Change	Score	7/87
Fidelity Currency Funds Ltd					
Fidelity Intl. Currency, Bermuda	10	10	0	84.2	84.2
Fidelity Intl. Currency, Bermuda	11	11	0	84.2	84.2
Fidelity Currency, Bermuda	12	12	0	84.2	84.2
First City Bank, N.Y.					
First City Bank, N.Y.	13	13	0	84.2	84.2
First City Bank, N.Y.					
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First City Bank, N.Y.					
First City Bank, N.Y.	100	100	0	84.2	84.2

**BERMUDA
(REGULATED)(**)**

[illegible]

GUERNSEY
(FSA RECOGNISED)

[illegible]

IRELAND
(FSA RECOGNISED)

[illegible]

Job Order	Selling	Buyer
Charge	Price	Price

[illegible]

Selling Price	Buying Price	+ or -	% Chg.
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[illegible]

	Selling Price	Buying Price	% of	Y
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[illegible]

Q 53	Selling Price	Buying Price	% of 1
100	100	100	100
101	101	100	99
102	102	100	98
103	103	100	97
104	104	100	96
105	105	100	95
106	106	100	94
107	107	100	93
108	108	100	92
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and year	Not Change	Notes Change	Selling Price	Buying Price	+ or -	Yield Gr%
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(FSA RECOGNISED)

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Category C	Yes (Long)	
Category D	Japan	
Category E	U.S.	
Category F	India	
Category G	U.S.	
Category H	Europe	High field

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Global Bd & Acct	5725 32
Global Hd Is	510 099
Global Bd & Dist (pt)	5123 34
Global Bond C	
Global Bond P	
Global Bond I	

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GALE USG Managed	---	\$17,600	1A
GALE L Managed	---	\$17,375	1B
SUP USG Managed	---	\$14,092	14
SUP L Managed	---	\$18,129	19
MSG E Managed	---	\$11,245	11
Summary C Managed	---	\$11,863	12

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-	Door Screen Company	1941
-	Harvard Bond	1906
-	U.S. Dollar Bond	1911
-	Green Bond	1911
-	Van Bond	1911
-	Summer in Bond Field	1911

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0.03	Newton Fund Managers (C)	
1.16	Corporate Money Ltd	721
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2.78	Northgate Unit Tr. Mng.	723
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FT MANAGED FUNDS SERVICE

LUXEMBOURG (REGULATED) (*)									
Fund Name	ISIN	Unit Price	Change	YTD %	Assets	Manager	Investment Objective	Rating	Notes
American Phoenix Investment Portfolios (u)									
American Phoenix Fund	LU0000000000	1.00	0.00	0.00	100.00	Phoenix Fund	Global		
American Phoenix Fund	LU0000000000	1.00	0.00	0.00	100.00	Phoenix Fund	Global		
Foreign & Colonial Portfolios (u)									
Foreign & Colonial Fund	LU0000000000	1.00	0.00	0.00	100.00	Foreign & Colonial Fund	Global		
Foreign & Colonial Fund	LU0000000000	1.00	0.00	0.00	100.00	Foreign & Colonial Fund	Global		
Morgan Stanley Sizer									
Morgan Stanley Sizer	LU0000000000	1.00	0.00	0.00	100.00	Morgan Stanley Sizer	Global		
Morgan Stanley Sizer	LU0000000000	1.00	0.00	0.00	100.00	Morgan Stanley Sizer	Global		
ACM Offshore Funds									
ACM Offshore Fund	LU0000000000	1.00	0.00	0.00	100.00	ACM Offshore Fund	Global		
ACM Offshore Fund	LU0000000000	1.00	0.00	0.00	100.00	ACM Offshore Fund	Global		
World Lynch Asset Management - Cont.									
World Lynch Asset Management	LU0000000000	1.00	0.00	0.00	100.00	World Lynch Asset Management	Global		
World Lynch Asset Management	LU0000000000	1.00	0.00	0.00	100.00	World Lynch Asset Management	Global		
Swiss Bank Corporation - Cont.									
Swiss Bank Corporation	LU0000000000	1.00	0.00	0.00	100.00	Swiss Bank Corporation	Global		
Swiss Bank Corporation	LU0000000000	1.00	0.00	0.00	100.00	Swiss Bank Corporation	Global		
Equity Fund Managers									
Equity Fund Managers	LU0000000000	1.00	0.00	0.00	100.00	Equity Fund Managers	Global		
Equity Fund Managers	LU0000000000	1.00	0.00	0.00	100.00	Equity Fund Managers	Global		
Swiss Life (International)									
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Swiss Life (International)	LU0000000000	1.00	0.00	0.00	100.00	Swiss Life (International)	Global		

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180 Wisconsin Trust Co. \$6.35
 181 Valley Park Trust Co. \$7.20
 182 The Veterans Fund Limited
 183 Western Fuel Holdings (General) Ltd
 184 Wills Ind. Pfd. Co. \$71.20
 185 Wichterle Management Group
 186 Windsor Group Pfd. \$12.67 \$7.20 20
 187 Woodland & Laidlaw-Superior (W) Major Ltd
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FINANCIAL TIMES

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THE WINTER OLYMPICS

The Japanese city throws itself open this weekend to 2,450 competitors from 72 countries. Paul Abrahams reports

There's no business like snow business

Japan's snow country has lived up to its name. Nagano may be on the same latitude as San Francisco, Athens and Lisbon, but the bitter weather systems that sweep east from the Asian landmass have at last carpeted the site of the most southerly winter Olympic Games with snow.

January's belated snow-falls were the last element necessary to complete preparations for the 18th winter games, preparations that began in 1991 when Nagano was awarded the games at Birmingham in England.

Tasuku Tsubada, Nagano's mayor, has no doubt of the importance of these winter games, the last in the twentieth century, and the first in Asia for 26 years. "When we started our bid in the 1980s, nobody had heard of Nagano. Now, Nagano city's name is known throughout the world."

Mr Tsubada is determined that Nagano's name should emerge from the games not only better-known, but with its reputation enhanced. Much will depend on whether seven years of preparations will prove adequate in coping with the record 2,450 competitors from 72 countries, as well as an estimated 2.25m visitors expected to visit the Nagano region during 16 days of the games.

The way Nagano has readied itself for the games reflects the strengths and weaknesses of Japan. The strengths are immediately apparent. The most obvious is that all the sports' sites and transport infrastructure were completed on time. There was never any question of repeating the

mistakes made by Montreal in 1976 when many of the venues were still under construction when the games started.

Moreover, the buildings put up for the games are visually impressive. This is not unexpected given the quality of much Japanese modern architecture. Among the most notable buildings is the M-Wave, a speed skating arena with capacity for 10,000 spectators which has huge sweeps of stainless steel and an 80 metre larch wood span.

But while the infrastructure speaks for Japan's strengths, the country's weaknesses are also evident. Although a local businessman, Soichiro Yoshida, was instrumental in winning the games

for Nagano, it was Japan's notorious bureaucrats who took over planning the games. Japanese manufacturing techniques may be the envy of the world, but its technocratic bureaucracy is one of Japan's lesser achievements.

Raising private finance has proved particularly difficult. This was not a problem for the Sapporo games in 1972 when the national government paid for everything. But this time, seven years of economic hardship meant that contributions were required from the private sector.

The bureaucrats' lack of commercial savvy became rapidly apparent, with sponsorship arriving late, below budget and with companies in conflict with each other. The bureaucrats' desire for consensus resulted in frustratingly slow decision-making. Their need to avoid confrontation and appease local minority groups also led to some farcical scenes, particularly over environmental matters.

The commitment to the environment of the Nagano Olympic was laudable, but often taken to extremes. The torches used to carry the Olympic flame from Greece to Nagano were fuelled with clean-burning propane gas, rather than the usual mixture which gave off more smoke. The problem was that the new propane torches repeatedly went out, much to the runners' consternation. The torch fiasco would have been embarrassing enough, but the commitment to the environment of Makoto Kobayashi, director general of the Nagano Olympic Committee (Naoc), appeared at times to

take precedence over the main purpose of the games - sport. The three goals of the games, set out by Mr Kobayashi, a Tokyo-based life-time bureaucrat, were "Participation of children", "Festival of peace and friendship" and "Homage to nature". Staging a successful sporting event was not included among Mr Kobayashi's publicly-stated Olympic goals. The most notable example of the clash between sport and nature was an extraordinary dispute over the length of the



Photo: IBM (montage)

IN THIS SURVEY

Financing the games; local economy,

infrastructure Page 2

Sponsorship; TV coverage; the two Olympics;

profile - the skiing industry Page 3

The fight to host the games; high technology;

the environment; profile - speed skating Page 6

Profile - selecting new Olympic events; curling;

women's ice hockey; snowboarding ... Page 7

downhill ski run. The International Ski Federation president, Marc Hodler, argued that the proposed run was too short. But Mr Kobayashi said that extending the course meant it would run through a national park, causing considerable damage.

Although more than 160,000 recreational skiers already used the same run every year, no new buildings were to be constructed (Mr Hodler even offered to build the starting gate out of snow), and despite the fact that the 70

racers would use the run only four times each, Mr Kobayashi remained unmoved. His counter-proposal was that recreational skiers would be banned too.

Mr Hodler warned that if this happened he would ban all skiing at the games. Mr Kobayashi, for his part, threatened to resign as director general of Naoc if the start was moved higher. The whole argument was over a mere 120 vertical metres and probably less than 15 seconds of race time. In the end, a compromise

was agreed, just 35 metres below Mr Hodler's preferred start. Mr Kobayashi's intransigence seems all the more extraordinary given that almost no fuss was made about the huge environmental damage caused by the construction of two expressways and the "Shinkansen" bullet train from Tokyo which cost a staggering Y603b.

Despite such investment, transport remains the biggest concern for the Olympics, according to Naokichi Nishimura, deputy director of Naoc. At the best of times, Nagano City's roads are congested. The routes leading up to many of the events are single lane highways.

Continued on page 2



The 120 meters Ski Jump.
Time from start of run to lift off: 4 secs.
Terminal Velocity at end of ramp: 91.2 km/h.
Distance travelled: 130m.
Time in flight: 5.2 secs.

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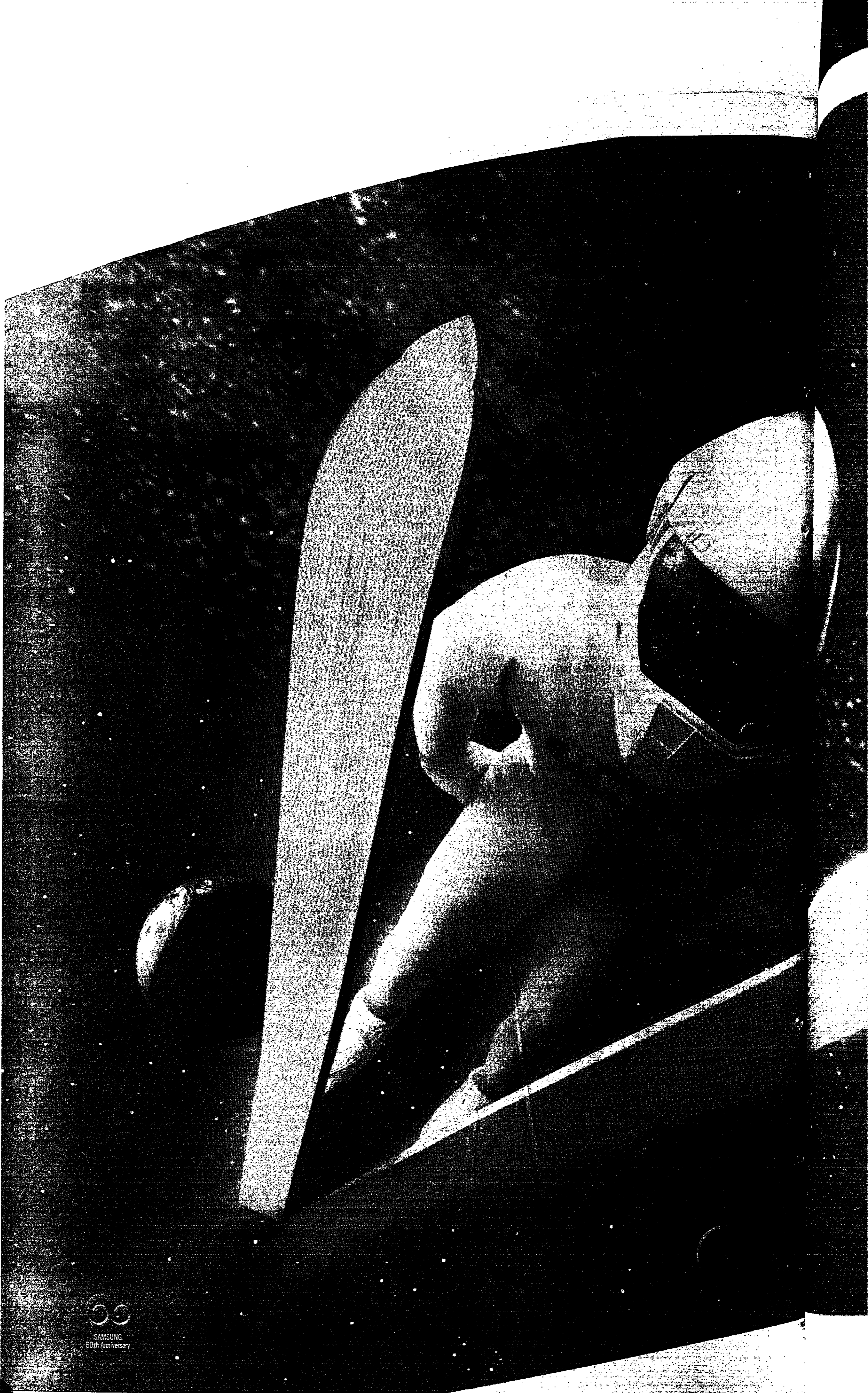
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8 WINTER OLYMPICS NAGANO

Sporting events listed by category

■ Alpine Skiing

Event	Date	Time
Downhill (M)	Feb 8	10:15
Combined Downhill (M)	Feb 9	10:15
Super-G (W)	Feb 10	10:15
Combined Slalom (M)	Feb 11	9:30/13:00
Super-G (M)	Feb 13	10:15
Downhill (W)	Feb 14	10:15
Combined Downhill (W)	Feb 15	10:15
Combined Slalom (W)	Feb 17	9:30/13:00
Giant Slalom (M)	Feb 18	9:30/13:00
Slalom (W)	Feb 19	9:30/13:00
Giant Slalom (W)	Feb 20	9:30/13:00
Slalom (M)	Feb 21	9:30/13:00

■ Biathlon

Event	Date	Time
15km (W)	Feb 9	13:00
20km (M)	Feb 11	13:00
7.5km (W)	Feb 15	13:00
10km (M)	Feb 17	13:00
4 x 7.5km Relay (W)	Feb 19	13:00
4 x 7.5km Relay (M)	Feb 21	13:00

■ Bobsleigh

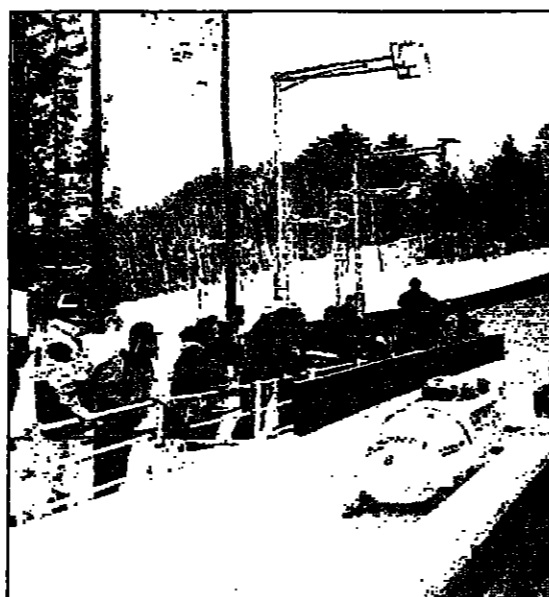
Event	Date	Time
Two-man	Feb 14	15:00
Two-man	Feb 15	15:00
Four-man	Feb 20	15:00
Four-man	Feb 21	15:00

■ Cross-Country Skiing

Event	Date	Time
15km Classical (W)	Feb 8	9:00
30km Classical (M)	Feb 9	9:00
5km Classical (W)	Feb 10	9:00
10km Classical (M)	Feb 12	9:00
10km Free/Pursuit (W)	Feb 12	12:00

■ Curling

Day	Date	Time	Draw	Sheet A	Sheet B	Sheet C	Sheet D
Sun	02/08	08:30-18:00		Official Training			
		19:00-20:00		Team Meeting			
Mon	02/09	09:00	W1	NOR/SWE	CAN/USA	GER/DEN	JPN/GBR
		14:00	M1	GER/SUI	NOR/GBR	CAN/JPN	USA/SWE
		18:00	W2	DEN/GBR	GER/JPN	SWE/USA	NOR/CAN
Tues	02/10	09:00	M2	JPN/SWE	CAN/USA	SUI/GBR	GER/NOR
		14:00	W3	GER/USA	NOR/GBR	JPN/CAN	SWE/DEN
		19:00	M3	CAN/GBR	GER/SWE	USA/NOR	SUI/JPN
Wed	02/11	09:00	W4	CAN/DEN	JPN/SWE	NOR/GER	GBR/USA
		14:00	M4	NOR/JPN	USA/SUI	GER/CAN	SWE/GBR
		19:00	W5	JPN/NOR	USA/DEN	CAN/GBR	GER/SWE
Thurs	02/12	09:00	M5	USA/GER	GBR/JPN	NOR/SWE	CAN/SUI
		14:00	W6	SWE/CAN	GBR/GER	USA/NOR	CAN/JPN
		19:00	M6	SUI/NOR	SWE/CAN	GBR/GER	JPN/USA
Fri	02/13	09:00	W7	USA/JPN	DEN/NOR	GBR/SWE	CAN/GER
		14:00	M7	GBR/USA	JPN/GER	SWE/SUI	NOR/CAN
		18:00		Women's Semi-Final			
		18:00		Mens Semi-Final			
Sun	02/15	09:00		Mens and Womens Bronze Medal Games			
		13:00		Women's Final			



15km Free/Pursuit (M)	Feb 14	9:00
4 x 5km Relay (W)	Feb 16	10:15
4 x 10km Relay (M)	Feb 18	10:15
30km Free (W)	Feb 20	9:00
50km Free (M)	Feb 22	9:00

■ Ski Jumping

Event	Date	Time
K-90	Feb 11	9:30
K-120	Feb 15	9:30
K-120 (Team)	Feb 17	9:30

■ Nordic Combined

Event	Date	Time
K-90 Individual	Feb 13	9:30

15km Individual	Feb 14	13:00
K-90 Team	Feb 19	9:30
4 x 5km Relay Team	Feb 20	13:00

■ Freestyle Skiing

Event	Date	Time
Moguls Elimination (M,W)	Feb 8	9:30
Moguls Final (M,W)	Feb 11	12:00
Aerials Elimination (M,W)	Feb 16	9:30
Aerials Final (M,W)	Feb 18	10:15

■ Snowboard

Event	Date	Time
Giant Slalom (M)	Feb 8	9:30/13:00
Giant Slalom (W)	Feb 9	9:30/13:00
Halfpipe Elimination (M,W)	Feb 12	9:30
Halfpipe Final (M,W)	Feb 12	13:30

■ Speed Skating

Event	Date	Time
5000m (M)	Feb 8	15:00
500m (M)	Feb 9	18:30
500m (W)	Feb 10	18:30
3000m (L)	Feb 11	15:00
1500m (M)	Feb 12	15:00
500m (L)	Feb 13	16:30
500m (L)	Feb 14	16:30
1000m (M)	Feb 15	15:00
1500m (L)	Feb 16	15:00
10,000m (M)	Feb 17	15:00
1000m (L)	Feb 19	15:00
5000m (L)	Feb 20	15:00

■ Short Track Speed Skating

Event	Date	Time
1000m Qual & Final (M)	Feb 17	19:00
3000m Relay S-F & Final (L)	Feb 17	19:00
500m Qual & Final (L)	Feb 19	19:00
500m Qual (M)	Feb 19	19:00
5000m Relay S-Final (M)	Feb 19	19:00
1000m Qual & Final (L)	Feb 21	19:00
500m Final (M)	Feb 21	19:00
5000m Relay Final (M)	Feb 21	19:00

■ Figure Skating

Event	Date	Time
Pairs - Short Programme	Feb 8	20:00
Pairs - Free Skating	Feb 10	20:00
Singles - Short Programme (M)	Feb 12	19:00
Ice Dancing - Compulsory Dances	Feb 13	19:00
Singles - Free Skating (M)	Feb 14	18:00
Ice Dancing - Original Dances	Feb 15	18:00
Ice Dancing - Free Dances	Feb 16	18:00
Singles - Short Programme (L)	Feb 18	18:00
Singles - Free Skating (L)	Feb 20	19:00
Exhibition	Feb 21	15:00

■ Luge

Event	Date	Time
Singles (M)	Feb 8	14:00
Singles (M)	Feb 9	14:00
Singles (W)	Feb 10	14:00
Singles (W)	Feb 11	14:00
Doubles	Feb 13	14:00



■ Ice Hockey

Event	Date	Time	Teams
Prelim. Round A (M)	Feb 7	18:00	ITA/KAZ
Prelim. Round A (M)	Feb 7	18:00	AUT/SVK
Prelim. Round B (M)	Feb 7	20:00	GER/JPN
Prelim. Round B (M)	Feb 7	20:00	FRA/BLR
Prelim. Round A (M)	Feb 8	14:00	AUT/KAZ
Prelim. Round A (M)	Feb 8	18:00	SVK/ITA
Prelim. Round B (M)	Feb 8	12:00	SWE/FIN
Prelim. Round B (M)	Feb 8	16:00	CAN/JPN
Prelim. Round B (M)	Feb 9	14:00	CHN/USA
Prelim. Round B (M)	Feb 9	18:00	GER/BLR
Prelim. Round B (M)	Feb 9	12:00	JPN/FRA
Prelim. Round B (M)	Feb 9	16:00	USA/SWE
Prelim. Round B (M)	Feb 9	20:00	CAN/CHN
Prelim. Round B (M)	Feb 10	14:00	BLR/JPN
Prelim. Round A (M)	Feb 10	18:00	KAZ/SVK
Prelim. Round A (M)	Feb 10	18:00	ITA/AUT
Prelim. Round B (M)	Feb 10	18:00	FRA/GER
Prelim. Round B (M)	Feb 11	12:00	SWE/CAN
Prelim. Round B (M)	Feb 11	16:00	JPN/CHN
Prelim. Round B (M)	Feb 11	20:00	USA/FIN
13,14 (M)	Feb 12	12:00	
11,12 (M)	Feb 12	16:00	
10,9 (M)	Feb 12	20:00	
Final Round C (M)	Feb 12	12:00	CHN/SWE
Final Round C (M)	Feb 12	16:00	USA/JPN
Final Round C (M)	Feb 12	20:00	FIN/CAN
Final Round D (M)	Feb 13	14:45	CAN/SWE
Final Round C (M)	Feb 13	14:45	FIN/CZE
Final Round D (M)	Feb 13	18:45	CAN/Q1
Final Round C (M)	Feb 13	18:45	Q2/RUS
Final Round D (M)	Feb 14	14:45	Q1/USA
Final Round D (M)	Feb 14	18:45	SWE/CAN
Final Round D (M)	Feb 14	12:00	JPN/SWE
Final Round D (M)	Feb 14	16:00	FIN/CHN
Final Round C (M)	Feb 14	20:00	CAN/USA
Final Round C (M)	Feb 15	13:45	RUS/FIN
Final Round C (M)	Feb 15	18:45	CZE/Q2
Final Round C (M)	Feb 16	14:45	CAN/USA
Final Round C (M)	Feb 16	18:45	FIN/Q2
Final Round C (M)	Feb 16	18:45	CZE/RUS
Final Round C (M)	Feb 17	14:00	SWE/Q1
3,4 (W)	Feb 17	18:00	
Quarter-Final (M)	Feb 18	14:45	
Quarter-Final (M)	Feb 18	18:45	
Quarter-Final (M)	Feb 18	14:45	
Quarter-Final (M)	Feb 18	18:45	
Semi-Final (M)	Feb 20	14:45	
Semi-Final (M)	Feb 20	18:45	
3,4 (M)	Feb 21	15:15	
Final (M)	Feb 22	13:45	

All times stated are Japanese standard time

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The Business of Travel

Instead of being displaced by new technology, venues are embracing it with enthusiasm.

Scheherazade Daneshkhu reports

Exhibitions still alive and kicking

Along a 5km stretch of Lisbon's Tagus riverfront, dozens of new buildings are emerging on a site dominated for years by a decaying oil refinery and stacks of disused containers. Expo 98, which opens in May, promises not only to be one of the world's largest exhibitions but also one of Europe's largest regeneration programmes at a cost of \$2bn.

In an age of rapid communication and technological change, it may seem curious that a concept as apparently old-fashioned as the exhibition has not only survived but promises to inject life into a moribund urban area and act as an economic stimulus. ICEP, Portugal's institute for investment, trade and tourism, expects Expo 98 to account for one-third of the country's gross domestic product this year.

Huge amounts of investment continue to be poured into the exhibitions and conferences industry. In Germany, the exhibitions capital of the world, an estimated DM8bn is being invested over four years on new venues despite slow economic recovery. Munich is to open a new centre. Frankfurt is modernising its facilities, while Hannover is getting ready for Expo 2000.

Last year, Glasgow's Scottish Exhibition and Conference Centre opened a \$38m new conference auditorium.

Nor is the investment confined to Europe. In Chicago, McCormick Place, the city's exhibition and convention centre, has recently completed a \$1bn expansion, while Sydney is an emerging destination on the conference circuit as a result of the city's successful bid for the 2000 Olympics.

Gill Price, a director of the International Congress and Convention Association, says: "A few months ago I would have said that south-east Asia was doing well, too, but the situation there has changed dramatically. The conference business is increasingly dependent on the economy, and it can be easy to forget that."

The economic crises in east Asia have not only had an impact on domestic business; they will also affect conferences being held in other countries. Ms Price expects a sharp drop this year in Asian delegates attending London's QE2 conference centre, where she is commercial director.

Delegates are prepared to travel further afield to keep abreast of changes in their industries. In 1996, the

number of international visitors to exhibitions in the UK rose by 22 per cent compared with 1995, according to the Exhibition Industry Federation.

This trend is good news for travel agents. Many report that conferences and exhibitions account for an increasing proportion of their business. Pre and post-conference regional tours have grown on the back of travel, often to unusual and exotic locations, with many convention programmes increasingly resembling glossy holiday brochures.

Value for money is still the watchword. American Express, which has a conference booking programme, says that people are meeting more but are still keeping tight control on the amount they spend.

Academy Expo, a US-based exhibition design company, says companies want cost-effectiveness. "In the economic boom of the 1980s, most companies were commissioning custom-designed exhibition stands which would be used for a single event and then scrapped. In the recession of the early 1990s, there was a strong move towards modular reusable stands."

Now it says customers are choosing "bespoke modular

stands made of modular pieces to a design specified by the company. "This trend provides unique-looking custom-featured stands while at the same time giving the budgetary advantages of re-usability," says Academy Expo.

Much of the investment in conferences is coming from the hotel industry, which is chasing the higher-paying business travel market in preference to tourists. Millennium & Copthorne Hotels, which is majority-owned by the Singapore-based CDL hotels group, last year opened a \$2.5m Millennium Conference Centre next to its Gloucester Hotel in London. Stakis, the Glasgow-based hotels group, plans to create Europe's

largest convention hotel in 2000 through a \$85m development at its London Metropole hotel.

Hotels are also becoming increasingly important partners for travel agents as airlines continue to cut commission. In November, British Airways reduced commission levels to travel agents following earlier moves by airlines in the US and in Europe by SAS, KLM and Lufthansa.

The cuts have led to hotels playing a more prominent role as a source of commission income. David Giles, until last month chairman of the Guild of British Travel Agents' hotel working party, estimates that hotels typically account for as much as 60 per cent of travel agents' commission

income compared with 20 per cent five years ago.

Radisson SAS Hotels, which says its hotels have increased their targeting of the conference market, notes a sharp rise in short lead times for small conferences of 20 to 25 people. "The change is particularly noticeable in Germany, where there are companies showing economic recovery. Companies are recognising the need to increase communication in order to prepare for growth."

Conference organisers and venues dismiss technology as a threat to the business but acknowledge its impact on the industry. Much of the investment in modernising and building new facilities is being driven by demand for use of the latest technology,

according to John Cole, corporate development director of the National Exhibition Centre in Birmingham and member of the European Major Exhibition Centres Association (Emeca).

Ms Price says that technology is being used by exhibitors to demonstrate products more effectively than through a static exhibition stand. She cites the example of a recent medical conference where a new pump to administer anaesthetic was demonstrated through a live video link-up to an operating theatre in which the person performing the operation also acted as commentator.

Where video-conferencing is having an impact, it tends to be on the smaller

IN THIS REVIEW

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Design: Philip Hunt
Production Editor: Ian MacDonald

meetings. "A number of companies have their own video-conference suites so that 10 or 20 people can be linked instead of travelling to meet each other," she says. "But most people, particularly Americans, go to a conference to 'network', and video-conferencing cannot replace that."

Mr Cole believes that talk of the internet replacing exhibitions also misses the point. The internet is a powerful marketing tool which is more likely to act as a stimulus to exhibition attendance, he says, by making it easier for someone in one continent to find out about exhibitions being held in another part of the world.

New building and investment in the industry, while a sign of its activity and growth, also carries with it the danger of over-capacity. Competitive pressures are already taking their toll on some exhibition centres.

In the Netherlands, Jaarbeurs Utrecht and RAI Group, the two largest exhibition operators, said last month they planned to merge. "The present role of the Netherlands as an exhibition, trade fair and conference country can be maintained in the long term only if we join forces," they said in a joint statement.



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Conferences & exhibitions

A touch of the exotic at work

Choosing an unusual location for an otherwise routine meeting may be beneficial. Roger Bray reports

There may be brainstorming in the rain forests of central America and break-out sessions on desert islands. Audio visual equipment may be limited, and powerful distractions may lie beyond the meeting room windows – but companies are increasingly choosing exotic or off-beat locations for conferences.

Locations range from a disused monastery near Lisbon to the Centre Belge de la Bande Dessinée, the Brussels strip cartoon museum. Here delegates can thrash out serious issues amid memorabilia of Tintin and his dog, Snowy – and even a Turkish bath in Istanbul where 40 executives once held a sweaty think-tank session to work out ways of improving communications between management and junior staff.

Larger groups can opt for anything from palaces, such as Vienna's Schonbrunn, to a maintenance hanger at Munich airport. But interest in small, concentrated meetings has grown sufficiently to prompt the development of facilities even at remote, wilderness hotels with no road access.

"Demand is definitely increasing," says Graham Keene, managing director of LMG International, which arranges corporate events.

"People at the top level in business are just getting fed up with staying in large hotels. If you can provide them with a different kind of venue which offers the same kind of facilities as a five-

star hotel it allows them to work hard and encourages the team element."

A classic example, he says, is the Aravis Alpine Retreat, about 50 minutes drive from Geneva, which has been used by all sorts of celebrities seeking privacy.

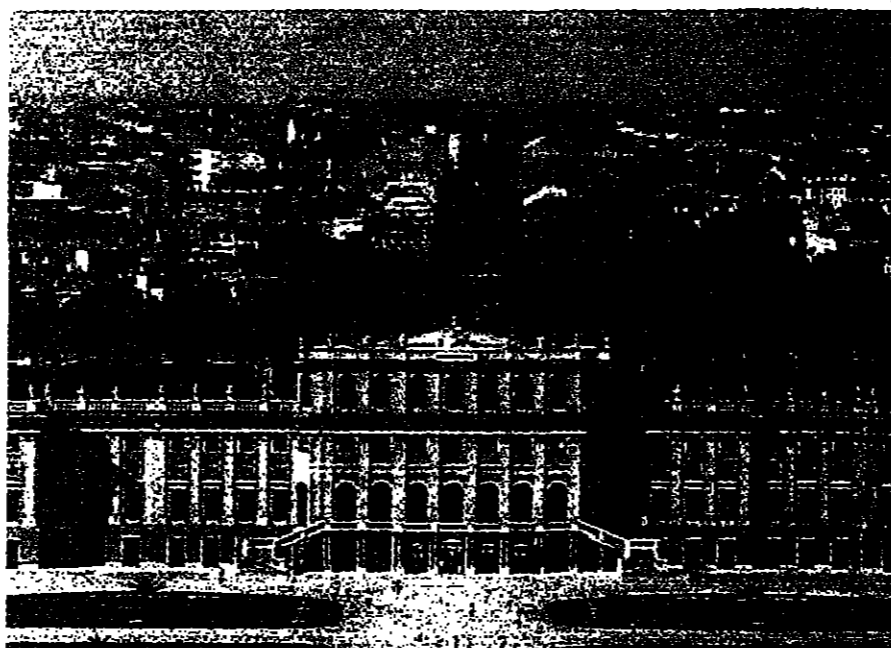
"It's a converted Savoyard farmhouse with 12 bedrooms. It has log fires and good food and you can only book it exclusively. The rooms have connections for laptop computers."

Another good example of a small property is the 14-room Bear Track Inn at Glacier Bay in Alaska. Built of spruce, it has a 24ft x 30ft meeting room with overhead projection, a television monitor and secretarial services – and whale sightings guaranteed.

On Little Cayman, which has "more iguanas than people", delegates can stay in four small hotels. One is the Little Cayman Beach Resort which has 40 rooms and an air-conditioned meeting room which is a few tantalising steps from the sea – and some of the world's finest diving – but has no laptop facilities.

"We see it very much as a place for a board meeting or a brainstorming session," says Catherine Leech, regional manager of the Caymans' tourist office in the UK and Ireland. "You can also have break-out sessions on desert islands such as Owen Island, where they can organise a castaways' picnic."

Rates range from \$125 to \$315 per room per night.



Palace splendour: Vienna's Schonbrunn is one possibility for large groups of delegates

Photo: A. Day

and \$50 for the meeting room.

Among the most remote options are the Casa Corcovado Jungle Lodge, in Costa Rica, and Canadian Quebec's Kanauk. The former, accessible only by boat, comprises seven luxury bungalows and a meeting room, with slide and video equipment and space for 20 delegates, on the edge of the Corcovado National Park rain forest. The lodge has its own supply of hydro-electric and solar power. Delegates' neighbours include large groups of jaguars, tapirs and scarlet macaws.

Guests at the latter stay in scattered cabins on a lake and meet in a larger unit. The complex is managed by Canadian Pacific, which provides catering from its Montebello Lodge between Montreal and Ottawa.

"When people want something unusual they also want it to be very sophisticated," says Josephine Wigall-Lazarus, director of the province's tourist office in London.

Sarah Webster, of the UK's Incentive Travel and Meetings Association, supports the premise that company directors are increasingly opting for hidden retreats.

"As little as three years ago this concept was relatively unheard of," she says. "It started in a very informal way, when directors took colleagues to their own overseas apartments or villas, or booked a quiet hotel, preferably with a meeting room and a gym. But today the idea of corporate bonding has become firmly established."

One difficulty for many owners of such properties is knowing how to tap into these growing demands, she says. Another problem is that audio visual equipment may have to be especially installed. The monastery buildings at The Caesar Park Penha Longa, for example, though they are in the grounds of a luxury hotel and golf course, have no sophisticated electronics. Nor has the 14th century Cistercian Priory at Oud-Turnhout, near Antwerp, which has been converted into a conference hotel.

Gimmicky venues such as steam baths have their drawbacks, too. They are a bit too hot for serious deliberations, says Harry Fine, London representative of Istanbul-based ground arrangement specialist MEP Destination Management – "unless you want a

quick decision."

For bigger conventions, Munich airport offers three hangars, including one large enough to hold 5,000 delegates, which is used for events such as conferences a dozen or more times a year. At Schloss Schonbrunn, the Viennese palace of the Habsburgs, there is the Orange-rie, a newly-equipped facility with capacity for 500 people.

Some venues make a virtue out of their lack of modern equipment. The 14-bedroom Castle Leslie, in County Monaghan – about two hours drive from Dublin – is a good example. It is described as one of the last great country houses to have been built in Ireland. Ullan Bannan, one of the partners who runs it, says that apart from a dedicated office, which visiting executives can use to access the internet or send faxes "the only concessions we have made to the 20th century are lots of hot water and central heating."

"We don't have jacuzzis and 47 television channels in the rooms. In fact, we don't have television in the rooms at all – or even phones. But people like it because they find they get a lot of work done without interruptions."

Meetings at sea can be made plain sailing

Roger Bray listens to the pros and cons of taking conference delegates on board a cruise liner

They are more accustomed to marketing soft Caribbean breezes, tropical sunshine and cocktails under the stars than inspiring thoughts of roving microphones and stirring keynote speeches, but cruise lines have become increasingly keen to charter their ships for conferences.

Meeting at sea has its detractors and its disadvantages. Some conference organisers are wary of them because they fear that, ultimately, the arrangements will be taken out of their hands. The general shortage of single cabins means that, unless delegates travel with partners, the cost per person can be a serious deterrent. And one organiser notes: "Seasickness can come into the equation."

Set against that, however, are some significant pluses. Companies or associations can often obtain a fully inclusive price, and they do not have to go trawling for restaurants or clubs where delegates can be entertained at night – it is all on board. There is always a doctor on board and, apart from at ports of call, there is no danger of delegates being mugged.

Maarten Tromp, director of incentive and group travel at Equity Cruises, says: "You can have a conference on a ship for as few as five or as many as 2,000 people. If clients are interested we usually have to relate the ship to the level of hotel they would expect delegates to stay in otherwise they haven't got a clue what sort of luxury they can get. If it's the Four Seasons on London's Park Lane or the Victoria Jungfrau, for example, then we know they are looking for Holland America Line and upwards."

Companies often use cruise ships to combine briefings for dealers with spectacular product launches. One car manufacturer, seemingly inspired by the Vietnam war movie Apocalypse Now, requested a cruise liner captain to sail around an island so that it could drift its new models aboard the ship by helicopter to the stirring strains of the *Ride of the Valkyries*.

Len Wilcock, of conference and incentives organiser Worldspan International, says his company was even able to take over an unused television channel on Carnival Cruise Lines' Jubilee and run its own programme.

There are various ways of making an exhibition stand successful. Gone are the days of a solitary table, chairs and stacks of brochures. Jonathan Knowles, business development manager at Gardiner Caldwell Communications, a conference and exhibition organiser in the pharmaceutical sector, says: "Companies can relay seminars to the stand through big screen technology and watch it remotely. And very seldom do we create an exhibition stand without a cyber cafe so customers can visit the company's web site."

The Foundation Group, a UK company which owns public houses, hotels and a restaurant, has had mixed results at the trade exhibitions it has participated in. Michael Cockman, its marketing director says: "Three years ago we took space at a travel exhibition and made 39 contacts over three days, of which eight were good contacts. But it cost us £2,000 and took us three days."

"Last year we went to the same show to promote our new restaurant and shared a stand. We made 15 contacts, including three good ones. That cost us £700 and took us three days. If those three companies book good business with us, in the long term it will have been worthwhile."

But Mr Cockman is not planning to go back to that exhibition because he believes it is an expensive way of reaching his customers and is not staged at the right time for decision-making.

"I would tend to say my money is better spent elsewhere," he says. "Think about it: if you had a lot of buying power, you would not go into a bear pit with your rivals, would you?"

at a particular sailing, see that it is very lightly booked, switch the customers with reservations to other dates and compensate them. Of course, the cost of compensation is likely to be built into the charter price – at the end of the day somebody has to pay for it."

What does it cost? Silver-sea Cruises, which chartered Silver Wind and Silver Cloud last year to companies including Eagle Star and General Motors, charges \$150,000 to \$160,000 a day – or about \$520 per delegate if it fills all available berths. But Mr Tromp describes that as the "Rolls-Royce of cruising", with all drinks and cocktail parties included.

Further down the range he has hired a ship operated by Carnival Cruises for around \$375 per delegate per day.

Graham Anderson, conference and incentive sales manager of Cunard, quotes \$300 per delegate on a six-day QE2 cruise from the UK to the Canaries and back, or £1,500 across the Atlantic – including one-way air fare.

One advantage of running a conference afloat, he says, is that companies and associations can negotiate an inclusive price perhaps two to three years before the event. Mr Tromp concedes that a hotelier could do the same kind of deal, but notes: "It's unlikely you would want delegates to eat in the hotel every night, so you would almost always wind up with the total cost as an unknown quantity."

Just how much is included in the price varies. Instead of including drinks, some cruise lines offer them as additional packages. Royal Caribbean has one for \$42 per delegate, for example. Cunard is considering offering one, but says some conference organisers prefer not to set limits on the quality of wine, for example, preferring to charge all drinks to a single account.

Overall, the cost can compare favourably with that on dry land. Mr Andrew says: "For Sea Goddess at Monte Carlo, for example, you would pay \$260 per delegate. We compared that with a land-based conference paying high season rack rates at one of the principality's top hotels, and adding in the price of meals, drinks and other extras – and the ship came out £90 per head cheaper."

The UK's Passenger Shipping Association has produced a leaflet on ships suitable for seagoing conferences and the facilities they provide (Tel: +44 (0)171 436 2449).

So, how was the show for you?

Gillian Upton reports on the merits and potential drawbacks of seeking customers through exhibitions

If you have a product you're trying to expose to a wider audience and you want to do it in the most cost-effective manner, are exhibitions the right vehicle to use?

The pros and cons are many and varied. Much depends on the location, duration and timing of the event, the way it is mar-

keted, and whether it will deliver the right audience and therefore the right number of business leads.

Edinburgh-based Osprey Holidays thought long and hard before exhibiting at the Ski Show in London last November to promote its holidays in New England.

The company had a clear

goal. "We wanted to increase our profile among clients and our partners overseas," says John Bennett, managing director. "It's important that our partners see us selling their product."

"Most of our bookings are made over the phone or through the internet, but we wanted to meet customers, and it was very useful for that. We didn't attempt to take bookings at the show; it was too noisy for that."

It cost Osprey £5,000, and afterwards the venture was

closely assessed. "It's a two-week show which covers two weekends," says Mr Bennett. "Both weekends were very busy, but the five days in between were bleak."

"Because we are not based in London we have to move the brochures by courier and pay for accommodation for two people. The Ski Show also happens when bookings are very strong, so it means taking staff out of the office when they should be answering the phone. It's a dilemma."

Osprey decided to miss the next show and to take part in alternate years. "It was not written off as a wasted exercise, but for the £5,000 it cost I could have bought a lot of advertisements in newspapers where we normally advertise," says Mr Bennett. Advertising, product launches and direct mail make up the bulk of the company's promotional activity.

It is clear from this example that participation in an exhibition should be weighed up very carefully beforehand and scrutinised closely after the event.

A spokesperson for an international investment bank says it is essential also to check the experience, background and track record of the company organising the exhibition. "I don't give companies any time if I haven't heard of them," she says, having learnt from experience.

The bank exhibited at a show in western Europe arranged by a company she did rate. "The company had previously only ran exhibitions in eastern Europe, and although it was a British company it made no accommodation for it being a totally different marketplace. It didn't market it properly. I learnt from that. Make sure the company is tried and tested in organising similar events in the same country," she advises.

The bank's preference is for conferences and seminars. "They're much more tightly targeted and focused and it's much more cost effective than a big exhibition," she says.

Organisers bullishly sell exhibitions on the basis of quality of audience and therefore access to a purchasing power. "Exhibitors could spend £2,000 on the exhibition and tap into £1m worth of purchasing power,"

says Claire Conway at International Business Communications (IBC), which runs exhibitions alongside the conferences it organises.

Susan Christopherson, head of global sponsorship at Euro Finance, which organises conferences and exhibitions for treasury management, underscores IBC's message. "In terms of getting to people under one roof there's no other way," she says. Banks and software suppliers are her main exhibitors.

There are various ways of making an exhibition stand successful. Gone are the days of a solitary table, chairs and stacks of brochures. Jonathan Knowles, business development manager at Gardiner Caldwell Communications, a conference and exhibition organiser in the pharmaceutical sector, says: "Companies can relay seminars to the stand through big screen technology and watch it remotely. And very seldom do we create an exhibition stand without a cyber cafe so customers can visit the company's web site."

The Foundation Group, a UK company which owns public houses, hotels and a restaurant, has had mixed results at the trade exhibitions it has participated in. Michael Cockman, its marketing director says: "Three years ago we took space at a travel exhibition and made 39 contacts over three days, of which eight were good contacts. But it cost us £2,000 and took us three days."

"Last year we went to the same show to promote our new restaurant and shared a stand. We made 15 contacts, including three good ones. That cost us £700 and took us three days. If those three companies book good business with us, in the long term it will have been worthwhile."

But Mr Cockman is not planning to go back to that exhibition because he believes it is an expensive way of reaching his customers and is not staged at the right time for decision-making.

"I would tend to say my money is better spent elsewhere," he says. "Think about it: if you had a lot of buying power, you would not go into a bear pit with your rivals, would you?"

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Conferences & exhibitions

Opportunities for disaster abound

Any meeting can easily become the 'event from hell'. Ian Hamilton Fazey highlights some of the pitfalls

No-shows - the people who are booked to attend but fail to arrive - are a common feature of conferences, seminars and similar gatherings. Organisers expect up to 30 per cent no-shows for a free event, but in one particular case something was clearly wrong.

The hotel was near the M25, north of London. It had been chosen because a similar location south of the capital the year before had been packed out by extra-shows, whom no one had planned for. To avoid a similar crush the hotel had been chosen for its large conference room, which could seat more than 300.

With 10 minutes to go only 18 people had arrived. The organisers delayed the start. A few more people trickled in but, 30 minutes late, the conference had to begin with fewer than 40 people. Some of these had been rushed in from the organiser's own nearest offices to make the event look less embarrassingly empty.

During a coffee break delegates commented on the poor attendance. "It's hardly surprising when you arrange an event for a north London catchment area on a Yom Kippur," one of them observed drily. The red-faced organisers, who wish to remain anonymous, have since made sure their calendar software covers holidays and festivals for all regions. They have not made the same mistake since.

"Preparation is the key to avoiding disasters like that," says Stephanie Marshall, head of conferences and events at the Institute of Directors. The IoD stages 21 conferences a year, covering such subjects as family business, planning for growth and management buy-outs. It has few no-shows because people pay to attend, although since all such events are held at IoD headquarters in central London,



RIDER BOWLE

some people will usually be late because of travel problems.

Even the most careful preparation does not always work, however. "Speakers not turning up because they have the wrong time or date in their diaries are my biggest fear," Ms Marshall says. "We always check and check again, and confirm attendance in writing, but we still have had the odd case when the speaker just gets it wrong. We now telephone in the days before to make sure."

She is also a firm believer in the old army adage that time spent on reconnaissance is seldom wasted. She knows her own venue well, but is always very careful to reconnoitre any other where the IoD is going to stage an event. Many other conference organisers do not do this, relying on, for instance, hotel managers to tell them about facilities over the phone.

Not knowing simple things such as the exact dimensions of rooms, can

cause problems. "The conference room at an event we staged in Manchester was OK, but we did not think about the ante-room where coffee was served and where we and the conference's sponsors had our exhibition stands," one events manager for a London financial services organisation says.

"The ceiling was half an inch too low to get our own stand up. The regional director was coming, and we were sweating a bit. We managed to squeeze it in by sawing the feet off the vertical panels. I'll never make that mistake again."

The location of toilets can also disrupt events. At one venue the "Gents" was down two flights of stairs at the end of a long corridor and had only three urinals. With 120 delegates, 20-minute coffee breaks proved impossible, and the timetable slipped so much that one presentation had to be abandoned and question time curtailed.

When it comes to the conference itself, most organisers

acknowledge that much depends on the quality of the chairman and whether speakers have rehearsed and been directed on how to improve their presentations if necessary. Even simple tips can help, such as to stand on both feet all the time for easier breathing and voice projection. Leaning on the podium can also constrict the chest. Speaking notes should be moved sideways page by page and not turned over in case they catch the microphones. Notes should never be stapled together.

The IoD gets its conference chairmen and speakers together about a month before to discuss the day's objectives and ensure presentations complement each other. National Westminster Bank and the Financial Times, who stage a series of forums around Britain about exporting every autumn go for more detailed preparation, with dress rehearsals.

This is necessary for modern "entertainment", where a production company designs an attractive set and operates lights, sound, music, and audio-visual effects to theatrical standards. The producer works closely with the chairman, who is expected to perform as link-man, emcee, comic, timekeeper and question master to keep the pace going and the event lively.

The effect can be threatened by a poorly-prepared or unprepared speaker - they are never invited back - or an unforeseen event, such as when Ian Campbell, director-general of the Institute of Export, got stuck in a lift in a Leeds hotel and the chairman had to fill in for five minutes until Mr Campbell could be freed to make his speech.

Equipment failure is also a perpetual worry, especially as it has become increasingly sophisticated. Sets are now made as attractive as

affordable. Lecterns have become tastefully-designed podiums. Speakers sitting at long tables on the platform waiting their turn at the microphone are as old hat as slides, carousels and blackboards.

Speakers are now more likely now to walk up from the audience or in from the wings, possibly to musical accompaniment. Graphics will be computer-generated and back-projected on screen. It means, however, that if anything goes wrong, the conference is in trouble.

What all conference organisers now hate is the mobile phone, which has introduced the prospect of uncontrollable disruption into audiences. "All our chairmen ask

people to switch them off at the start of the day," Ms Marshall says.

Some people ignore this, such as a woman in the second row of a NatWest-FT export forum in Bristol once, who defied all attempts to shut her up and talked on her phone for several minutes.

No one wants the Italian problem, where no-one ever switches off. At a recent conference in Rome, a member of a panel on the platform spoke on his phone while discussion went on around him. With several people in the audience on their own phones at the same time, no one turned a hair. Perhaps they were speaking to each other.

Projectors still have useful lives

Technology continues to advance, but one faithful piece of equipment survives. Paul Taylor reports

The overhead projector and the acetate transparency have been the mainstay of schoolroom, boardroom and sales presentations since the 1950s.

They may not be very high-tech, but overhead projectors are versatile, cost-effective presentation tools that are easy to use and transport. As a result, despite frequent predictions of their imminent demise, they continue to flourish.

For the business traveller, provided there is an overhead projector at the other end of the trip, all that needs to be carried is a set of transparencies - and a back-up copy is a sensible precaution. Some overhead projectors are light enough to be carried around.

The development of powerful graphics and presentation software, together with printers capable of producing high quality colour images in-house, has given the overhead projector a new lease of life, as have liquid crystal display (LCD) panels.

According to some estimates, overhead projectors and slide projectors are still used for the vast majority of internal business presentations, although LCD, cathode ray tube (CRT) and portable digital light processing projectors are making inroads, particularly for large-scale presentations and sales pitches where image quality considerations are paramount.

There are two basic types of overhead projectors - transmissive and reflective. Transmissive projectors have the light source (bulb) in the base of the machine, while the light source for reflective projectors is in the head of the projector.

Transmissive projectors are usually brighter and the images are typically sharper, but they tend to be larger and heavier. If you intend to use a LCD projection panel linked to a PC, a bright transmissive projector is a must.

If you want portability, and will be using only transparency film, a reflective projector is a good choice because they tend to be smaller and lighter in weight.

Even then, not all overhead projectors are equal. The main variables include lens quality, brightness and lamp types. Other options designed mainly for those using LCD panels include built-in power outlets on the projector and a "flip-in" magnifier which enlarges the projected image when using a LCD panel.

Even with an LCD, overhead projectors do have limitations. For example, for an effective presentation the room lights must be dimmed. In addition, the presenter has to concentrate on changing transparencies manually, and image clarity sometimes leaves much to be desired.

More fundamentally, transparencies are a static medium, difficult to update and tailor for a specific audience starting from scratch. In contrast, the source material for an electronically-generated presentation can be

stored on a central server or company intranet, to be downloaded and adapted as required.

Once loaded onto a portable PC they can then be manipulated, adjusted and displayed on LCD or CRT data projectors. But while CRT projectors usually require a specialist to install and set up, and are best suited to permanent installations, the new breed of small, lightweight LCD data projectors are designed for mobile presentations. With some machines weighing less than 10lb (4.5kg), LCD data projectors are easy to carry around and can be set up to use in minutes.

For example, Lightware's Viewpoint projector weighs just over 9lb and yet its manufacturer claims a proprietary optical system enables it to project sharp, vivid images at 670 ANSI lumens on any screen up to 80 inches diagonal - even with the lights on.

LCD projectors have traditionally been hampered by a limit on the level of resolution they could offer, although with the latest generation of machines this is becoming less of an issue. Cost, however, is still an important factor, with LCD data projectors starting at around 25,000 and CRT models at 20,000.

However, harnessing the latest technologies can be crucial to winning big deals. As the London-based Presentation Company notes: "In business, windows are small, opportunities enormous. You have to get it right."

The Presentation Company, whose clients include the BBC, GEC, Reuters, British Aerospace and Union Bank of Switzerland, provides a range of presentation services from event management through to the programming of multimedia presentations.

The company says the development of lightweight notebook PCs and LCD projectors mean that an executive can carry all the hardware required for a high-quality multimedia presentation featuring sound, video and 3D graphics, as hand luggage. A few years ago, such a presentation would have required a truckload of equipment.

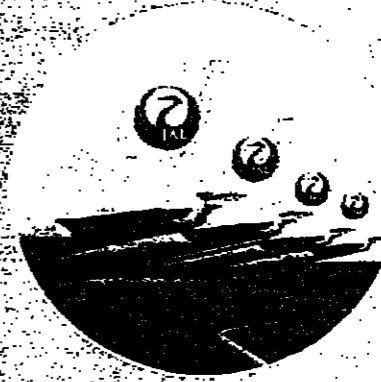
Some companies, particularly those in eastern Asia, are beginning to exploit video-conferencing as an alternative to travel altogether. For example, the Hyatt Regency in Osaka, Japan, was the first hotel to provide satellite teleconferencing facilities, and similar facilities are now available in Hyatt hotels in Tokyo, Hong Kong, Seoul, Taipei and at the Hyatt Safjana in Malaysia.

The Tokyo hotel, which has provided business video-conferencing facilities 24-hours a day since February 1995, saw the number of conferences double last year to an average of eight sessions a month. The price of an average 1hr 45min videoconference between Tokyo and London or Paris is ¥87,000 compared with ¥705,000 for a business class return ticket.

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SACA Exhibition of machinery, tools, accessories, technologies and graphics 19th - 22nd	LAMIERA Machinery and equipment for the finishing of shoes, leathers, skins, furs and exotic skins. Work - Dies - Moulding - Heat treatments - Surface treatment and finishing 20th - 23rd	SAIE International building exhibition 14th - 18th
MICAM MODALCALTURA International footwear exhibition 5th - 8th	EXPOSANITA Health care international exhibition 21st - 24th	TANNING-TECH International exhibition of machines and technologies for the tanning industry 3rd - 6th
SAIEDUE Building components and finishing elements 18th - 22nd	LA FIERA Bologna International Trade Fair 6th - 14th	LINEAPELLE 4th - 6th
OBUV-MIR KOZHI 98* International exhibition of shoes and leather products. Autumn/Winter collection 1st - 3rd - Moscow	FOR ARCH 98* 9th International trade fair for construction industries 22nd - 26th - Prague	FIMA International exhibition of agricultural and gardening machinery 14th - 18th
FIMEC SUMMER 98* 21st International fair of leather, components, accessories for footwear and machines for tanning 1st - 4th - Novo Hamburgo	LINEAPELLE MOSCOW 98* 3rd International exhibition of leather, accessories, components, synthetic products, models for footwear, handbags, garments, furnishings 23rd - 25th - Moscow	SAIE EGYPT 98* 1st International trade fair for construction industries 3rd - 6th - Cairo
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A BETTER APPROACH TO BUSINESS

Conferences & exhibitions

CASE STUDY Controlling expenditure at BP

Discipline brings big savings

Multinational corporations have made great strides in recent years towards controlling their travel expenditure. Typical measures are national or even international consolidation of travel agency and suppliers, enforcement of travel policy, and the introduction of a corporate payment card.

However, all these financial disciplines often go out of the window when it comes to conferences and training, one of the last areas of corporate expenditure to be brought under control by the procurement experts.

All too often, each department makes its own arrangements for conferences, with little or no attempt to leverage the company's entire spend to drive better deals. Equally wasteful is the failure to consolidate conference spend with ordinary corporate travel spend.

One company which discovered it was missing an opportunity to make huge savings was British Petroleum. The situation is now being remedied by Allen Grimley, who retired as the company's business procurement manager at the end of 1997 but continues to work for BP as a consultant.

Having taken enormous strides to consolidate BP's annual mainstream travel spend of \$350m, for which he was recently named Business Travel News international travel manager of the year, Mr Grimley turned his attention to the conference travel sector.

He was horrified to find conference costs spread among so many budgets that the company had no real idea of how much it was paying for meetings. It soon became clear that an initial estimate of \$30m was closer to \$50m.

Examples of waste were legion. Mr Grimley discovered one hotel where ordinary BP travellers were paying 20 per cent more than a special rate given to the company for the many conferences it staged there. He also found hotels where BP conference organisers were unwittingly paying 35 to 40 per cent above the negotiated worldwide corporate rate.

He attributes the wastage not to the incompetence of individuals but to the inevitable inefficiencies of a multinational corporation. "The problem is the inability of companies to share information internally," he says. "It was not at all the fault of the people organising

conferences. They were not able to look at it together, and although they were doing things systematically, they were not doing them in a procurement-efficient manner."

The lack of co-ordination even extended to air travel. Airlines normally grant a discounted group rate for parties of 10 passengers or more, but Mr Grimley discovered that individuals were frequently being left to make their own arrangements. That has been changed, and Mr Grimley expects to achieve fare savings of 10 to 15 per cent, even if the quantum qualifying for the discount start their journeys with the same airline from different destinations.

Presented with these problems, the first step Mr Grimley took was the same as for any procurement task - gathering information. Before he could negotiate with suppliers he needed to know exactly how much he had to spend with them.

Mr Grimley had to poke around many dark corners of BP before he learned the truth, but in the process he discovered that excellent places to track conference expenditure are the finance department, human resources and public relations.

basic procedures for organisers, starting with automatically asking a hotel whether it has a negotiated rate with BP when booking a conference.

He then turned his fire on the global hotel chains, where he had identified significant amounts of business. Eventually, he concluded a deal with three of them, each of which devised a corporate package specifically for BP. These included not only an agreement on rates but extra benefits such as discounted or free leisure facilities.

Also built into the agreements was an incentive to use the chains more, with an incremental discount based on the number of conferences booked. However, BP's corporate culture does not permit Mr Grimley to force the agreements on conference organisers.

Part of the commitment Mr Grimley is seeking from the chains is the granting of last-room availability. With occupancy levels at record levels in many leading cities, hotels are refusing last-minute conference bookings in the belief that they can sell the rooms at a higher rate to individual travellers.

To help secure this side of the bargain, Mr Grimley

says it is best to make one person in the hotel chain responsible for the corporate conference client. That person is then charged with ensuring individual properties honour the agreement concerning availability.

In return, Mr Grimley has promised geographical flexibility over hastily-arranged conferences. If the meeting involves BP personnel from around the world, he will allow the hotel company to choose the location, as long as it guarantees to find somewhere and to find it at the agreed rate.

To complete the loop of his reforms, Mr Grimley has made one final requirement of the selected hotel chains: information. "Part of the spin-off is that the hotel companies will have to be more pro-active in tracking and reporting back spend," he says.

BP is also set to introduce a corporate payment card for its employees, which will be invaluable for tracking and categorising travel expenditure. Armed with that data, do not bet against Mr Grimley extracting even better savings next year.

Amon Cohen

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May 6	Devisement Forum	May 10	IEEE 1991 527 9971
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May 8-9	Metamarketing trade fair	May 12	IEEE 1991 527 9971
May 10-13	European chemist conference	May 13	IEEE 1991 527 9971
May 12-14	Internet World	May 14	IEEE 1991 527 9971
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May 14-15	Financial controls conference	May 16	IEEE 1991 527 9971
May 14-17	Media exhibition	May 17	IEEE 1991 527 9971
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May 20-21	Environmental technology	May 22	IEEE 1991 527 9971
May 21	Ice protection conference	May 23	IEEE 1991 527 9971
May 22-23	Infotech	May 24	IEEE 1991 527 9971
May 23-25	Internet World	May 25	IEEE 1991 527 9971
May 25-26	TMAB Telecom	May 26	IEEE 1991 527 9971
May 26-28	Power electronics exhibition & conference	May 27	IEEE 1991 527 9971
May 27-30	Rural development talks	May 28	IEEE 1991 527 9971
May 28-31	Professional seminar talks	May 29	IEEE 1991 527 9971

JUNE		JULY	
June 1-2	Air ambulance technology	June 1-2	Aviation maintenance
June 1-4	Soldiers' and sailors' health care	June 1-4	Aviation maintenance
June 2-5	International networking conference	June 2-5	Aviation maintenance
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June 24-25	Meetings and travel of travel	June 2-5	Aviation maintenance
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June 25-3	Tourism and commercial aviation	June 2-5	Aviation maintenance

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Conferences & exhibitions

There is fierce competition among countries and even individual cities to attract money-spinning large events. Correspondents report from North America, Europe and Asia

Regions make their mark

Growth in the North American convention and exhibition business has slowed in recent years, although industry projections still suggest healthy expansion over the remainder of the decade.

Moreover, dynamics of the market are also changing - with a growing distinction emerging between the very large extravaganzas and the increasingly popular and less expensive regional or "niche market" shows. Another trend emerging is the splitting of shows between different exhibition cities.

According to data compiled by the Bethesda-based Center for Exhibition Industry Research, the total number of shows rose to 4,396 in 1997, with about 90 per cent of those being held in the US and a further 10 per cent in Canada.

That represented a small decline on the number of shows held in the previous year, although the number of people visiting grew 5 per cent to 110m.

Meanwhile, the number of exhibiting companies was estimated at 1,26m, down slightly from the 1.3m seen in the mid-1990s.

However, the CEIR points out that because some shows are held on a two or three-year cycle, comparisons between individual years can be misleading. It also remains fairly optimistic about growth, forecasting that the number of shows will rise to 4,781 in 2000.

The CEIR anticipates that about half the new shows will result from regional offshoots of established events. This has already become a significant trend in the industry.

"There are first-tier cities

[such as Chicago], and there are second-tier cities," says Courtney Chamberlain at the CEIR.

A significant number of the new events are likely to reflect the growth of new technologies within the commercial and industrial world generally. For example, "emerging" sectors, such as environmental technology and biotechnology, are expected to generate more than one-fifth of the new shows held over the next 10 years, says the CEIR.

Even so, some big cities still have their eyes on the highly-lucrative "mega-shows" - and with good reason. In New York, for example, trade show organisers have complained about the size of the Jacob K. Javits Centre, on Manhattan's west side. At present, this ranks about 12th in the convention industry.

A study by Coopers & Lybrand last year suggested that if the centre doubled its exhibition space, taking it to third place after Las Vegas and Chicago, it could generate about \$1bn in tax revenue for the city, direct visitor spending and employee salaries.

But even size does not ensure a peaceful life. Chicago's vast McCormick Place, which lies at the heart of the city's \$4.7bn convention and trade show business and is the biggest single facility in the US, has been the subject of contention pending legislation designed to cut the labour costs and make it more competitive.

The plan was defeated in the state senate last year, but is expected to resurface early this year.



Exhibition statistics can be confusing; what is certain, however, is that the 'mega-shows' are big business for cities

Glamour alone is not enough

Britain's fashionable new tag, Cool Britannia, is doing wonders to strengthen the country's position as a trend-setting nation where the big movers and shakers go to clinch deals and do business.

For years Britain has taken second place to the US for hosting international association conferences, according to figures for 1996 - the latest available - from ICCA (the International Congress and Convention Association). But there are high hopes that the UK will have clinched the top slot when the statistics for 1997 are analysed later this year.

London is already top dog in Europe, according to figures from the UIA (Union of International Associations), with Paris at its heels in second position.

But a more worrying picture comes from the ICCA figures [the two organisations use different criteria] which put London in 15th position, compared with a laudable third slot only four years ago (Edinburgh lies in 12th place). So what has happened to Cool Britannia's capital city? The likes of Copenhagen, Vienna, Budapest, Barcelona and even Jerusalem are stealing its thunder.

Vienna has always been a rival but is now promoting itself more strongly. Budapest sells itself on its beauty and much cheaper hotel accommodation. Similarly, Barcelona is a fashionable destination and has good facilities and hotels since the massive building spree for the 1992 Olympics. Jerusalem is a mystery as far as its ranking goes.

Britain has always sold itself on the use of the international business language,

the professionalism of its conference organisers, and ease of access through London Heathrow. These factors, coupled with its trendy image, are a strong argument for holding a conference or exhibition in London.

But London often loses out because it lacks a major, purpose-built conference centre. Its biggest facility is the Queen Elizabeth 2 Centre in Westminster, but it can accommodate only 1,100 delegates. Compare that to Birmingham's NEC, capacity 15,000, or the Clyde Auditorium in Glasgow, 3,000, or even the International Conference Centre in Edinburgh, 1,200.

Regional airline services are pushing a lot of business the way of Birmingham, Glasgow and Edinburgh, but many conference organisers want the kudos of a capital city.

The capital does offer sufficient capacity in Wembley (capacity 2,700 in the Grand Hall) and Alexander Palace (7,250 in the Grand Hall) but they are both considered too far out of central London. Neither are easy to get to or are serviced by a good enough spread of hotels, restaurants and the myriad other services needed.

Event organisers have been circumventing the shortage of a central London venue by splitting conferences. The main conference takes place in the QE2 and the overspill, the plenary sessions, the break-out sessions and so forth, take place in adjacent or nearby buildings such as Westminster City Hall or the Royal Albert Hall.

Bad news can be good news

The collapse of the Asian tiger economies may be bad news for the regional travel trade, but good news for conference organisers from further afield.

South-east Asia was - until recently - one of the world's fastest-growing markets for international business and leisure travel, both as a destination and as a source of customers.

In particular, intra-regional travel was starting to account for a higher proportion of the market as more south-east Asian countries joined the ranks of rapidly-developing economies, and their citizens developed the taste and spending power for international travel. But the currency and financial crises are now threatening that expansion.

Companies suffering from difficult economic conditions often choose business travel as one of the first areas to make economies: making fewer trips, staying in cheaper hotels, and giving

tighter subsistence and entertainment allowances are obvious steps. Attendance at conferences and exhibitions, particularly overseas, is also too often seen as an unnecessary perk, rather than a business necessity.

The long lead-time in conference planning - bookings are often made years, rather than months, ahead - means that it is too soon for the full impact of the crisis to be visible. But if the faster-reacting tourist market can give any clues, the picture is bleak.

Looking on the bright side, half-empty aircraft and vacant hotel beds should make it cheaper for non-Asian based organisations to hold events in what had increasingly been seen as an expensive destination.

Hong Kong, in particular, has been losing conference and exhibition business to Singapore, not because of worries over its future after July 1997 but because hotel

room prices have got out of hand. Several large exhibitions which had been held in Hong Kong for the past few years are relocating to Singapore this year in a cost-cutting move decided before the economic meltdown. However, the shift away from Hong Kong may start to reverse if Hong Kong is forced to abandon pegging its currency to the US dollar or continuing lack of business pushes hotels into lowering their rates.

Additionally, at a time when visitor numbers are likely to go into at least short-term decline, there is a possible glut of new hotel rooms and large-scale venues in the Asia-Pacific region.

Singapore, which is already well-served with conference and exhibition venues, has just started construction of a vast new exhibition centre, due to open in 1999. Sydney is rapidly building extra hotel capacity for the 2000 Olympic

games, but filling the rooms before and after the games may be more difficult than anticipated.

Tokyo has added several new venues for large conferences and exhibitions over the past couple of years. One stunning new location is the Tokyo International Forum, a huge glass building near Tokyo Station, which opened in late 1996, while Tokyo Big Sight, an unusual-looking exhibition centre in a developing area of Tokyo's docks, has proved a popular location for trade shows.

Japan's higher hotel rates and air fares still deter many conference and exhibition organisers aiming at a broad international market, however.

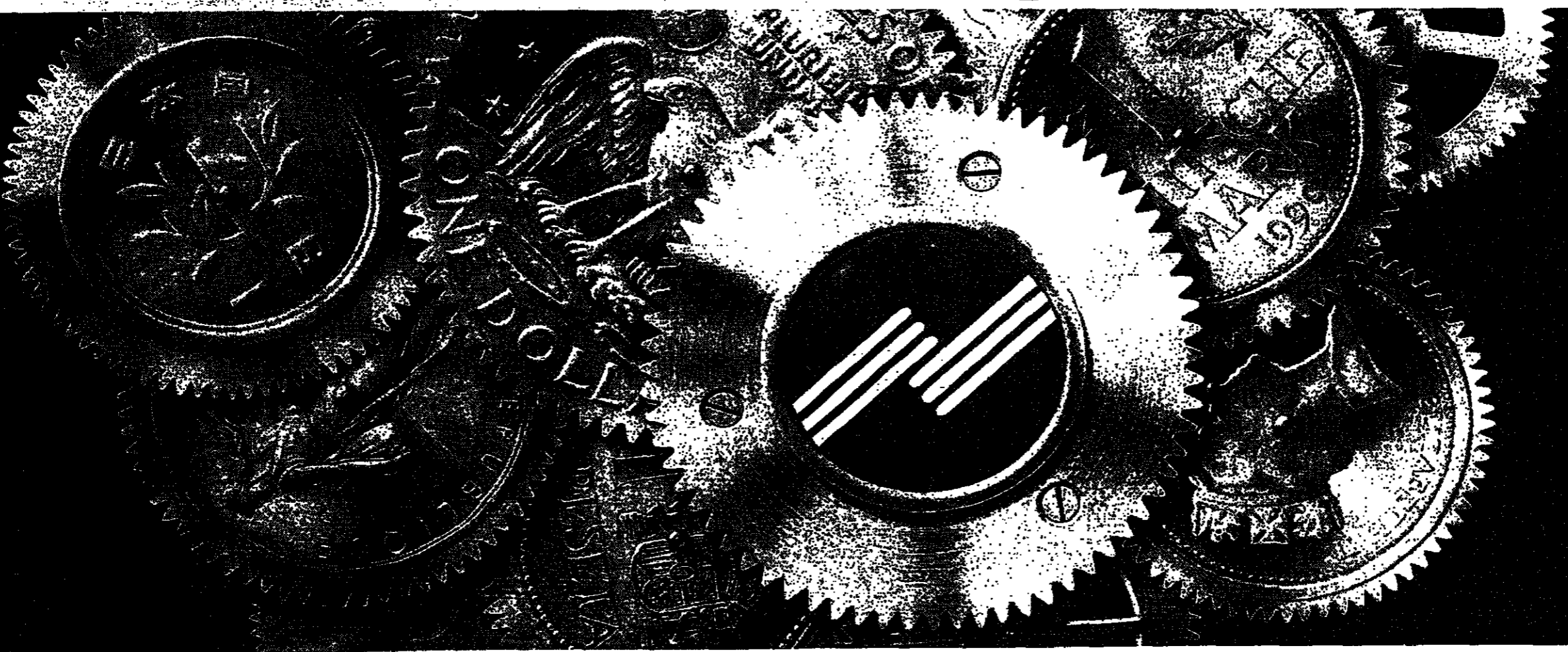
Bargain-hunting organisers with dollar-denominated budgets look set for a good time as the region's economies and currencies try to regain strength.

Nikki Tait

Bethan Hutton

Gillian Upton

FIERA MILANO makes for good business



Exhibition Calendar from January to May 1998:

<p>17-18 January XXXIII Esposizione Internazionale del Canino International Dog Show in Milan</p> <p>23-25 January Cart 1998 International Exhibition of stationary, paper and cardboard products, articles for school and fine arts</p> <p>23-26 January Grafica 1998 International Exhibition of gift articles, perfume items, costume jewellery and smokers' supplies</p> <p>23-26 January Calcestruzzo 1998 Exhibition Market of Handicraft Typical Products</p> <p>23-26 January Salone Internazionale del Giocattolo 1998 38th International Toy Exhibition Model-Making, Hobby, Christmas Decorations, Carnival Items</p>	<p>26-27 January Milano Winter 1998 International Sportswear, sports articles and camping equipment Exhibition</p> <p>6-9 February Macchine Spring 1998 International Exhibition of Tableware, Household and Gift Items, Silverware, Goldsmith's Items, Watches</p> <p>20-22 February Milano International Exhibition of professional ornamental horticulture, equipment and accessories, applied technology and services</p> <p>February Salone dello Studentato - Campus Orfeo School and training courses guidance</p> <p>20-23 February Salute Exhibition-Conference Nature and Health</p>	<p>24-26 February WLT World Investments in Tourism - Conference & Exhibition</p> <p>26 February - 1st March BNI 1998 International Tourism Exchange</p> <p>25-28 February Samsi Card 1998 Specialized computer aided technologies exhibition</p> <p>27 February - 7 March Modellismo e Modelli Milano Women's wear - collections</p> <p>27 February - 7 March Milano Women's wear - Fall/Winter 1998/1999 Collections</p> <p>24 March Moda in - Tessuto e Accessori Textile processes for Spring-Summer 1999 clothing</p>	<p>6-8 March Cartoonica Exhibition of comic strips and cartoons</p> <p>6-8 March "Il Salone del Libro e della Comunicazione Religiosa" Exhibition of Religious Books and Communication</p> <p>6-8 March Donna Arte Exhibition for Places of Worship and Religious Communities</p> <p>11-13 March Piemonte Edge Exhibition of promotional objects and business gift, Promotional services, Point of purchase advertising materials and objects</p> <p>12-14 March Fidatrans Componente 18th Biennial International exhibition of power transmission, drive and control equipment and engineering design</p>	<p>13-14 March Sash International clothing industry machinery and accessories show</p> <p>13-15 March Migol 73rd International leather goods Exhibition</p> <p>13-15 March Miter Fur and Leather Exhibition</p> <p>25-25 March 22nd Mostra Convegno Espoconfort 1998 31st Heating, Air Conditioning, Refrigeration, Plumbing & Sanitary Installation, Bathroom Fixings, International Exhibition</p> <p>25-25 March Servizi Exhibition of services for the HVAC and sanitary installations sectors</p> <p>16-21 April Salone Internazionale del Mobile 37th International Furniture Exhibition</p>	<p>16-21 April Salonecomplemento 12th Furnishing Accessories Exhibition</p> <p>16-21 April Bioscala 19th International Lighting Exhibition</p> <p>1-10 May Internationale dell'Antiquariato International antiques Exhibition</p> <p>6-10 May Grafitalia Exhibition of machinery and materials for the printing, publishing and electronic publishing industry</p> <p>6-10 May Cooperativa Europa International Exhibition for the paper, paper converting, package printing machines and materials</p> <p>6-11 May Mart Modern and Contemporary Art Fair</p>	<p>6-11 May Mido 1998 International Optics, Optometry and Ophthalmology Exhibition</p> <p>20-24 May Internatimil - Xylepo 16th World Exhibition for Woodworking Technology</p> <p>20-24 May Sesali 16th International exhibition of accessories and semi-finished products for upholstered furniture and the woodworking industry</p> <p>22-26 May Festablog/Expo Market 1998 International exhibition of equipment, services and technologies for stores, trade shows and exhibitions</p> <p>23-27 May Congresso Nazionale Birm 1998 38th National Congress of the Italian Society of Medical Radiology</p>
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Hotels

A breath of fresh air at the Malmaison

Michael Thompson-Noel finds a touch of style, a helping of humour and, should the mood take him, the opportunity to press his own shirts

If you need to visit Newcastle, in north-east England, you could do far worse than stay in the city's Malmaison hotel. It is centrally located, in a converted warehouse, at the heart of the Quayside development, overlooking the River Tyne. Its backers call it a "classic contemporary hotel with a French brasserie", which is exactly what it is. And it claims to offer "great style and great value" - assertions with which few guests would dream of quibbling.

It opened last November 4. Its young, enthusiastic and personable staff, many of them locals, haven't quite got the hang of every last little thing. But the Malmaison story - one of the most successful in the recent history of the UK hotel business - looks set to run and run.

4pm: I am in my suite on the seventh floor, and wondering how long ago it was that I encountered such a pleasing hotel room. Years, probably.

So far, there are three Malmaison hotels: Glasgow (78 rooms and suites), Edinburgh (80) and Newcastle (116). A Manchester Malmaison of 116 rooms opens shortly, followed by a 100-

roomer in Leeds. Sites in London and Paris are being studied.

My suite in the Newcastle Malmaison, which costs £230 per night in midweek and £200 per night at weekends, is - above all - stylish, beautifully lit and unusually well equipped. There is no clutter but there is plenty of colour. As a result, the effect is upbeat and cheering rather than greyly minimalist.

All rooms have CD players, a 10-channel TV set, trouser press and hairdryer, but I see that my suite has something quite unexpected: an iron and ironing board, stored in a cupboard. I have stayed in hotel suites that have cost three - even five - times as much as this, and been far less impressed. (Smaller suites at the Newcastle Malmaison cost £185 to £195 per night; executive twin-bedded rooms cost £115 to £145 per night; ordinary doubles cost £95 to £96 per night.)

Not surprisingly, the motto of the Malmaison group - intended to remind corporate travellers that they do not have to stay in old-style, business-chain hotels, however tried and trusted such hostellers may be - is: "It's your life. Stay

where you like."

In its promotional bumph, the group describes one of the ways it saves on traditional hotel overheads while attempting to remain flexible. Its aim, it says, is to provide contemporary accommodation that represents outstanding value. "As part of this affordability package," it adds, "it is not a part of our normal service to provide porters, room service or turn-down. As part of our can-do culture, however, it is also...our policy to try to never say 'No'. So, if you need...help at any time...please ask."

Another insight into Malmaison's business philosophy involves the (promised) response to guests who want a cab. "If you would like us to call you a taxi," it tells its guests, "please call Reception, who will oblige with the immortal line: 'You're a taxi!' They'll also order a car for you."

7.30pm: I am having dinner with the man behind the Malmaison concept, and starting to understand where the group's breath-of-fresh-air humour, diligence and - a word he uses - "funkiness" come from. They come from the man himself, Ken McCulloch, one

of Scotland's most respected hotelier-businessmen, who is Malmaison's chief executive.

The food in the brasserie is excellent. We are only drinking water, but the brasserie claims to offer well-sought-out wines, plus "unique Belgian, Scottish and Newcastle beers".

"Malmaison is built on simplicity," Mr McCulloch tells me. It's guest rooms, restaurants, lifestyle (he means the hotel's high-tech fitness clubs) and meeting rooms. That's it. Simple. I like things that are simple. For example, food should be simple but tasty. Always tasty." (As well as the usual hardware, the Malmaison gyms have mixed saunas and solariums).

Mr McCulloch's success with the Malmaison hotels has owed a lot to his close relationship with Robert Breare, chief executive of Arcadian International, a Surrey-based hotel and leisure group, which recently accepted a £92m bid from Patriot American Hospitality, a big US hotel and property company, which has options to acquire the remainder of Malmaison (Arcadian owns 35 per cent). "I am meeting the Patriot people in the US next week,"



A Malmaison bedroom: stylish, cheery and, for the money, unusually well equipped

Mr McCulloch tells me, "and looking forward to it. I will run Malmaison for them. I expect they will wish to incentivise me." He grins. "With their sort of backing, we'll now have the clout to drive the Malmaison operation forward, though I do not want to dilute the formula. I think the Malmaison

approach would work well in most of Europe's capitals. And it would succeed in the US.

"The three Malmaisons in operation so far are similar but not identical. In terms of price, they are aimed at mid-market, where I particularly wanted them to offer outstanding value for money. I wanted to take interesting buildings and do something different with them." The Glasgow Malmaison occupies a former non-conformist church. The one in Edinburgh is set in a Victorian baronial-style building with clocktower overlooking the harbour and port of Leith.

"Glasgow and Edinburgh opened within a month of one another in 1994, which was freaky, because if something had been wrong, there was no way we could have changed things," he continues. "Fortunately, they filled at once, and made money straight away, while Newcastle has had an occupancy rate in the mid-80s since it

opened. It's full tonight - and this is January.

"The food and beverage side is something we take very seriously. It is unusual for hotels to really want their guests to stay the night and eat in the hotel restaurant. But we do.

"It costs a great deal of money to build hotels these days. The big questions are always: can you build on time and on budget? Can you fill? Can you maintain whatever it is that is distinctive about your brand? Malmaison is the first home-grown UK hotel brand for a very long time, and so far it has been a success.

"Let's face it: business travellers would far rather be at home than staying the night in a hotel. So we say: stay where you like. Stay with us. Have fun. But we are constantly fine-tuning. A hotel operation is evolutionary in nature. It must strive to get better every day."

8.30am the next morning: I am having breakfast, and

noticing how eagerly the young restaurant staff treat all requests. But I wish they did not say "No problem!" quite so frequently. It is getting a little tedious.

"Can I have some ketchup?" I ask. "No problem!" "Some sugar?" "No problem!" "A spoon?" "No problem!" "An ashtray?" "No problem!"

Later, in the sitting room reserved for people staying on the 7th floor, a guest tells a young staff member that his coffee is cold, and asks for some hot stuff.

"Is it really cold?" she asks, wonderingly - and sticks a finger in his cup. "Yes," she says. "It is cold." She tells him it will take 10 to 15 minutes to find some hot coffee, and leaves the room.

I and the other guest agree that, all in all, the Malmaison experience is - yah - really funky.

This is what is really wanted...

Hotel amenities and customers' needs are not always in tune, says Scheherazade Daneshkhu

A home away from home is one of the most frequently chanted mantras in the hotel industry. The refrain for hotel chains aimed at wooing business travellers is "an office away from the office".

There are oodles of surveys to show just how hard business travellers are working these days, and how they need an office instead of a bedroom when it comes to staying in a hotel.

More business travellers spend time working in their hotel rooms than ever before, according to a study of business travellers by Hyatt hotels. The overwhelmingly majority feel under pressure to be productive when travelling.

Eighty-three per cent of employees said they worked harder than their bosses on business trips, and 85 per cent of bosses said they worked harder than their employees, according to the survey.

Business travellers are so busy that some companies encourage them not to travel at all. Xerox, the office technology group, says it has cut back the number of business trips at its UK-based operations by one-third over two years. John Cash, manager of purchasing and travel operations, says travel is being reduced to save money and to eliminate "dead time" when people are travelling. There are other ways for people to communicate than to meet physically, he says, adding: "I've got a three-hour conference call to the US this afternoon."

This is the sort of stuff that leaves hotels quaking in their basement business centres. It is not a waste of time, they protest, because you would never guess you were out of your office when you come and stay with us.

All too often the reality falls short of the claims.

Workstations turn out to be modestly-sized tables with what little free space there is on them taken up by hotel's promotional material.

The hotel may have promised a spare data port with a dedicated line but often that turns out to exist in only 5 per cent of its rooms at 2 per cent of its hotels. If the internet is available on the television it is almost invariably a tailored version. And on enquiring why there is no fax in the room, you may be told that the guests have said they do not like the noise it makes in the night.

Hotels have to balance the expense of providing business services with the demand for them. Most have decided that the cost-effective way of doing so is to have dedicated areas for the business traveller, be they rooms on a business floor for which they can charge extra, or a business centre.

But how great is the demand for an office away from the office? Do business travellers really spend most of their time on business working in the room? A survey conducted for InterContinental interviewed 6,000 users of four and five-star hotels at airports. It asked what the most important factor was for choosing a hotel for business.

You might have expected e-mail, internet access, data port, fax machine and big desk to compete for the top demand.

Not a bit of it, according to the results released last month. What laptop and mobile phone-clutching travellers want most from a business hotel is a quiet room. Their second demand is a clean room. These modest demands are followed by being able to control the room's temperature.

They are also keen on high safety standards and to avoid hotels located in areas

where they are likely to be mugged as soon as they step out of the door. Next on the list of demands is one for an efficient messaging service and the availability of non-smoking rooms. They also want the hotel to be near the city's business centre and for it to have rapid turnaround cleaning service.

In fact, none of the things you might think the harried executive wants from the hotel room featured in the top 10 list of demands.

Arie van der Spek, vice-president of marketing for Holiday Hospitality in Europe, the Middle East and Africa says there is a tendency to be a misconception in the industry about the business traveller's needs. "We always assume guests want to work in their room, but that is a wrong assumption because travelling is stressful and travellers seek comfort in the room. In order to relax in preparation for the next day you need space, a sofa and a good TV."

He says there is an increased demand for international sports channels and a growing intolerance of makeshift gyms. "The guest is more critical than in the past. The old Holiday Inn leisure facilities were a pool and a gym. Now guests want a purpose-built gym and they want to know the type of equipment you have in the gym - they will mention the brand name."

The InterContinental survey found, however, that travellers expect their most important demand of a business hotel to be for high-tech business and communications links. Perhaps that is a reflection of feeling that they ought to be wanting these things today but finding they do not.

InterContinental says the entire hotel industry will have to change quickly to respond to this anticipated demand. A shrewd punter however might put his money on travellers of the future still rating comfort, cleanliness over an office away from the office.

STAR ALLIANCE
The airline network for Earth.

Getting around: central Europe

Financial Times correspondents guide the traveller around some of region's main business districts, offering the first-time visitor and weary globetrotter alike tips to make their journey a little smoother

SWITZERLAND

By William Hall

Switzerland, located at the heart of Europe, is a country far more people pass through than visit, which is a mistake. It has the best public transport system in Europe which allows easy access to the mountains and lakes for which Switzerland is justly famous. Bern is the political capital. Zurich the financial hub, Basle the home of the Swiss pharmaceutical industry, and Geneva, the headquarters of the United Nations.

Visas

Travellers from developed countries and many developing countries do not need a visa unless they are staying for more than three months. Visitors from many east European countries and Latin America often need them.

Airlines

Swissair and Crossair, its regional unit, serve 140 cities around the world, and most international airlines fly to Switzerland. Zurich is the country's main airline hub, but Geneva, Basle, Bern and Lugano also have international flights. Zurich and Geneva airports both have railway stations permitting hourly connections to the rest of Switzerland. Swissair and Swiss Federal Railways allow passengers to check in baggage to any airport in the world at 115 Swiss rail stations. Baggage from incoming Swissair flights and its partner airlines can also be checked through to the final rail stations in Switzerland.

Local transport

It generally saves time to take the train rather than the car, and public transport rather than taxis in the main cities. A train from Zurich airport to the city centre takes about 12 minutes and costs SFr5, while a taxi can take more than twice as long and cost around SFr45.

Hotels

Three well-known hotels in the heart of Zurich's financial district are the Baur au Lac, Widder and the Savoy Baur au Ville. The Schweizerhof and the Marriott are both close to the main station, but the Dolder Grand Hotel, a mile or two from the city centre, offers a little more privacy. Geneva is now less smart but still boasts some top hotels, including the Beau-Rivage, Richemont, President-Wilson, Angletiere and Des Bergues. In Basle, the Hilton and Euler are popular with bankers, and in Bern the Bellevue Palace is a haunt of politicians.

Eating out

Switzerland has some of the best restaurants in the world, and the most expensive. If you cannot understand the menu in German-speaking districts, try Zurich's local dish of "Geschneitztes" (finely diced veal served in a cream sauce) accompanied by "rösti" (finely-grated fried potatoes). In French-speaking Switzerland, "fondue" based on local Gruyère and Emmentaler cheeses, is a favourite dish as is "raclette". Of the Swiss wines, the white wine has a better reputation than the red.

AUSTRIA

By Eric Frey

Foreign visitors usually find Vienna an easy city to cope with. Most of the main hotels, corporate and bank headquarters are in or close to the city centre, and public transport is excellent. A visit to a traditional coffee house ought to be included in even the tightest of schedules.

Visas

Nationals of most industrialised countries may enter Austria for up to 90 days without a visa. Some nationalities may require an official invitation and a financial guarantee from an Austrian host - and the paperwork may take quite a long time. All land border controls between Austria and neighbouring Italy and Germany are being abolished in April.

Airlines

Vienna airport is slowly developing into a significant European hub. Austrian Airlines, the national carrier, has particularly good connections with eastern Europe and the Middle East, as well as servicing western Europe, the US and east Asia. Domestic flights tend to be expensive, so trains and hire cars may prove to be good options.

Local transport

A taxi ride from Vienna airport to the city costs Sch400 or more, while limousine services will do the same journey for Sch270 and an airport bus Sch70 to the Hilton hotel. An average city taxi fare is likely to be Sch120 to Sch130. Vienna has clean and quick subways and good bus and tram services. Tickets are cheaper if bought in advance.

Hotels

International chains such as Hilton, Inter-Continental and Marriott have five-star facilities and are all conveniently located along the Ringstrasse, the boulevard surrounding the city centre. Typical prices are Sch3,000 to Sch5,500 a night. There are plenty of mid-range hotels and smaller pensioners (bed and breakfast) and close to the city centre.

Eating out

Vienna has a fine selection of restaurants offering local and international cuisine as well as plenty of eateries offering food at reasonable prices and good wine. Among the most celebrated are Steirerck (713-3166), Altwienerhof (892-9000) and Korson (515-1654). Good Viennese food is cooked at Schnitzl (405-3400). Service is always included in the bill, but it is customary to add a tip of 5 to 10 per cent.

GERMANY

By Andrew Fisher

German cities may not be the world's most exciting but they have plenty to offer. Their compactness makes it easy to get around and there are plenty of museums, concert halls and restaurants to divert the tired business mind. Germany is not cheap, but low inflation keeps prices stable. Shopping hours have been relaxed, but are still not as liberal as in the US or Britain. Service also lags behind these countries.

Visas

Citizens of EU countries, the US and leading industrialised nations do not need visas. However, Germany does have visa requirements for a host of countries in Asia, Africa, South America and eastern Europe.

Airlines

Germany's main airport is close to Frankfurt, the country's leading financial centre. Lufthansa, the national airline, has international and domestic services from here as well as

other important cities such as Munich, Berlin (the capital), Cologne, Düsseldorf, Hamburg and Hanover. Other leading world airlines also serve these cities. Domestic flights are not cheap, but competition is bringing down prices.

Local transport

Cities are well-served by regional rail links, but it is generally quicker to take taxis from airports. These are generally around £25, although Munich's airport is some way from the city and a taxi ride into town costs around £50. Taxis are generally modern and clean, and Frankfurt even has a few London-style taxis. For long-distance travel, trains can often be a quicker option than flying.

Hotels

There are hotels to suit all tastes. There are grand hotels in the traditional style - including the recently rebuilt Adlon Hotel in Berlin - as well as international

hotels - which offer all modern comforts but lack character - mid-priced establishments and small private hotels. Rooms for top hotels, such as the Frankfurter Hof, Arabella and Hessische Hof in Frankfurt cost around \$170, but can range up to \$280 or more when big trade fairs are held.

Eating out

Germany has a wide range of restaurants, from traditional and hearty national cooking (lots of pork and sausages washed down with beer) to sophisticated international cuisine. Italian and Chinese restaurants abound. Most cities also have a smattering of other Asian flavours, such as Thai, Vietnamese and Japanese. Wines from Franconia (northern Bavaria) and Baden-Württemberg are among the country's best and not always easily obtainable abroad.



Wenceslas Square, Prague

SLOVAKIA

By Joe Cook

Bratislava may be small, but its location on the Danube and its charming, delightfully renovated baroque centre make for an attractive town. The banks, government offices, commercial missions and parliament are all within walking distance of the centre. Some of the larger companies are located on the less delightful outskirts.

Visas

Russian, US and European nationals do not require visa, but most others do. As in the Czech Republic, US citizens may stay up to 30 days without a visa and EU nationals 180 days.

Airlines

There are very few direct international flights to Bratislava, although British

Airways is negotiating for a London link. Most travellers use Vienna - about 30km away) then take a bus or taxi. Be warned... It can take up to two hours to cross the border by car. The train from Vienna to Bratislava takes less than an hour. Alternative routes air by air to Prague or the Danube hydrofoil from Budapest.

Local transport

A taxi into Bratislava from the airport will cost the equivalent of \$10 to \$15. Bratislava is so compact that, if you are in a hurry, short trips costing \$5 to \$10 may be a good bet. For visits to companies on the outskirts of town, Yello Taxi is the most efficient, friendly and reliable.

Hotels

If full business and conference

facilities are not a priority, try the Perugia, which is within walking distance of almost every bank and official building. Otherwise, there's the Diplomat and Forum. For a glimpse of what things used to be like under communism, try the lazily friendly and relatively efficient Devin.

Eating out

The "must try" in Slovakia is Brindza, a creamy sheep cheese usually served as an appetiser. For this and other Slovak specialties, try the Modra Hviezda or Reduta. French cuisine and seafood can be had at Casablanca: U David is the only kosher eatery in town. Chang Cheng is a local favourite for authentic Chinese, while Carda Kormoran is excellent for Hungarian and Slovak dishes.

HUNGARY

By Anstot Lever

Budapest is once again a great European capital, with much of its fine architecture restored and the traces of communism almost vanished. It is full of pleasures, from a good opera to an excellent zoo. However, the tourist areas are home to a considerable school of "sharks" who specialise in luring visitors into bars and restaurants - and forgetting to show them the price list. Bills of thousands of dollars for a glass of wine are then presented by muscular men.

Visas

Visitors from the EU, North America, Japan and several other countries do not require visas. Business travellers from elsewhere can acquire them easily from Hungarian consulates on proof of financial support.

Airlines

There are regular flights to Budapest from most west European capitals, either by Malev or international carriers. Flying in the region can be more problematic, and travellers from Budapest to Romania in particular are advised to book well in advance. If you are travelling to Budapest from Vienna, you will probably find it cheaper and more convenient to drive.

Local transport

An excellent minibus service will take you from Budapest airport to any location in the city for around \$6. Most government offices, business centres and main hotels are located in Pest, on the eastern side of the Danube. The public transport system there is one of the finest in the world. It is rarely necessary to take a taxi, especially as the city centre is quite compact. Buda, the hilly, western part of the city, is more difficult to get around in without a car.

Hotels

With several of the big international chains represented in Budapest, there is rarely a problem of finding good (if expensive) accommodation in the city centre. The Kempinski and the Marriott are reputedly the best at present. The Gellert, on the Buda side, is further away and not so luxurious, but apart from being cheaper has the advantage of an interesting art nouveau building and famous thermal baths. Visitors with a car, some time to spare, and a liking for peace and quiet might want to stay at one of the pleasant pensions (panzio) in the Buda hills.

Eating out

Budapest has many fine Hungarian restaurants, most of which are not very expensive by west European standards. Gundel's (321-3550), a revived classic from the period of the Habsburg monarchy, is the grandest; Robinson's (343-0955), on a lake in the main city park, is the most original. However, Hungarian cooking can be a bit heavy for some tastes. There are also a growing number of French and Italian restaurants, a few of which, such as Fausto's (288-8806), are very good indeed.

CZECH REPUBLIC

By Joe Cook

Prague's stunning architecture and maze of cobbled side streets at once distract and disorientate, but the main business areas neatly overlap the main tourist haunts. That makes them busy. Most banks' headquarters and main office blocks are within walking distance of the central Wenceslas Square. Parliament and its main lobby companies and consultancies are tucked between Charles Bridge and Prague Castle.

Visas

Russian, US and EU nationals do not require visas; visitors from most other countries do. Consult your local Czech Republic embassy for advice.

Airlines

Prague's newly enlarged and modernised airport is well served by most leading European and US airlines. Low-cost domestic flights, with CSA - the national carrier - or the private Ostrava Air are available from Prague to Brno and Ostrava. CSA runs daily direct flights to Bratislava and Košice in Slovakia.

Local transport

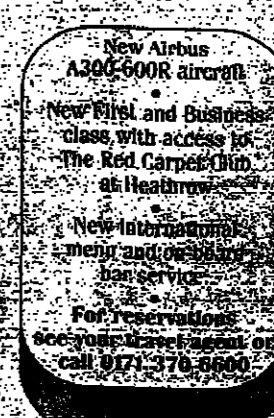
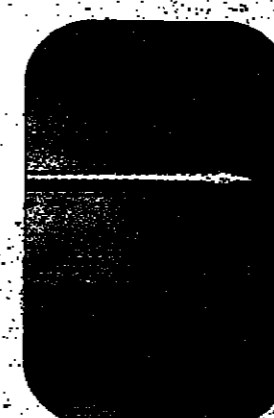
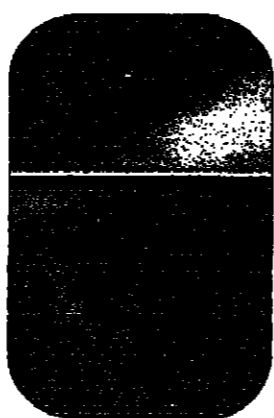
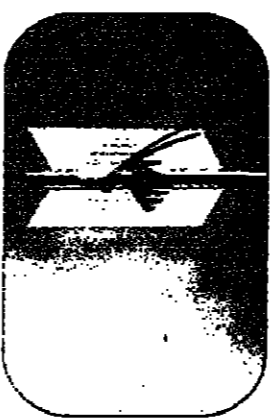
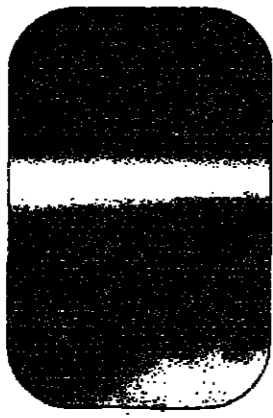
Taxis from the airport to central Prague cost the equivalent of \$12 and the bus about \$10. Taxis in the capital are supposed to charge the equivalent of 50 cents per kilometre, but the city's cabbies are notorious for fleecing foreigners. The city has excellent public transport. A clean, efficient and safe metro serves most areas, and tram and bus services are efficiently regular. Single journey: 30 cents.

Hotels

Prague's best centrally-located hotels offering business facilities are the Inter-Continental, Renaissance, Hilton-Atrium, Forum, and Palace. Prices range from about \$170 to \$240 per night, depending on the time of year. A five-star Kempinski will open soon at Old Town Square.

Eating out

The capital's restaurant scene has improved considerably in recent years. You can eat excellent Indian at the Jewel of India, sample such as ak-barack, or try Turkish and Russian at Pasha's Kamp. Park has very good international cuisine, with its Thursday evening seafood buffet. (Down in that day) a particular favourite. U-Patrona has discreet class. Le Listro de Mariane is the only place for a French lunch. U-Modre Kachnický and U-Zlate offer good Bohemian fayre.



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Getting around: central Europe

If your business trip allows a few days for rest and relaxation you might have the opportunity to explore the pleasures of your host country. Correspondents offer some suggestions

Test a tippie or two of goodness

Joe Cook follows the footsteps of royalty, intellectuals, composers and playboys to some Czech spas

Many a first-time business trip to Prague is cunningly arranged for a Thursday or Friday so that the visit can be extended to include a weekend in one of Europe's most beautiful cities. For those whose business requires return trips to the Czech capital, the opportunity should not be missed to engineer the timetable to allow for a week-end exploring central Europe's old aristocratic playgrounds, the elegant spa towns of west Bohemia.

Steeped in history, rich in cultural heritage and set amid some of the Czech Republic's most beautiful countryside, west Bohemia's triangle of spas - Karlovy Vary, Mariánské Lázně and Františkovy Lázně - are within easy reach of each other, and all are easily reached from Prague.

Perhaps best known by their old German names of Karlsbad, Marienbad and Franzensbad, they were the Habsburg empire's equivalent of the modern health resort - where Austrian royalty and Bohemian industrialists took a break from power intrigues and wealth creation to breathe the bracing air and imbibe the healing waters.

During the communist era visits to the spa were regular recreational perks for workers.

Although still very popular among Czechs and Slovaks, and much frequented by the aged and infirm, the spas have in recent years undergone something of a revival as quietly frivolous playgrounds. They are a particular favourite of Austrians, Germans and wealthy Russians. Their patronage has ensured the renovation of many elegant buildings that were neglected under communism. And the standard, and variety, of services has improved considerably in recent years.

The place to start is Karlovy Vary, the oldest, biggest and most beautiful of the "big three". You will need a couple of hours to get there, whether by car on train, from Prague, and you will, of course, have made sure that a room is available at the only place to stay, the Grand Hotel Pupp.

This spectacularly opulent 18th century pile has in recent years undergone major refurbishment. It is probably the best, and certainly the most expensive, hotel outside Prague. Where once it attracted central Europe's nobility, it now attracts the well-heeled and glamorous, and is the hub of gossip and partying during the annual July film festival.

Located within strolling distance of Karlovy's 12 separate spas and surrounded by gardens and parks, the Pupp keeps a subtly exclusive distance from the town thanks to the river Tepla, which meanders gently past its stunning facade.

Karlovy is named after Emperor Charles IV who, legend has it, discovered the first of the local spas while out hunting in 1358. One of his hounds fell and injured a paw while chasing a stag through Karlovy's steeply wooded hills. The dog would doubtless have gone lame had it not limped through a pool of water - which apparently cured the animal. The emperor's physicians duly declared the water a tonic for all ills.

Karlovy Vary's reputation was assured, and sealed in no uncertain terms, when, a few centuries later, Russia's Peter the Great arrived to take the mineral-rich waters.

He was followed later by other royal bigwigs, such as Frederick of Prussia and Empress Marie Theresia of Austria. Indeed, Bohemia's spas were a favourite of European royalty. Austria's Franz II gave his name to Františkovy Lázně, the quietest of the spa towns. And Mariánské Lázně regularly welcomes Britain's King Edward VII, who

used to stay at what is now the Hotel Kavkaz.

The natural requirement of such visitors for palatial accommodation led to a mini building boom in the 18th and 19th centuries. All three towns are rich with extravagantly decorated terraces, grand avenues and art nouveau mansions. These are gradually being returned to their former glories.

The spas have long been very popular with central European intellectuals, composers and writers. Goethe was a regular visitor to all three. The waters obviously worked wonders for him; at the age of 72 he wrote of his yearnings for the teenage daughter of a local hotelier in his *Marienbad Elegy*. Bach, Beethoven, Schumann, Brahms, Tchaikovsky, Liszt and Grieg all passed through Karlovy Vary. Dvorak premiered his New World symphony in the town in 1894, and the spa holds the annual Dvorak festival in September.

Mariánské Lázně was the preferred spa of Nikolai Gogol, Richard Wagner, Frederic Chopin and Franz Kafka. And Karlovy Vary even has a Karl Mark Museum, thrown up by the former Czechoslovakia's communist regime to commemorate the numerous visits

had made towards the end of his life.

You will, of course, have to sample the waters. This you can do either by bathing - warm, aromatic and thoroughly refreshing - or by drinking. The waters of Karlovy Vary are said to soothe digestive complaints; Mariánské Lázně's are good to cleanse the kidneys; and the waters of Františkovy Lázně are recommended for gynaecological problems.

The drinking fountains are housed in elegant, and immaculately clean, colonnades, usually set amid gardens. The idea is to sip the waters while slowly promenading along the colonnade. Central Europe's regular spa-goers drink from a porcelain vessel, which looks not unlike a small jug equipped with a sort of upturned funnel instead of a spout. These you can buy on site.

You will also need to buy a packet of oplatky - chocolate or vanilla flavoured wafers. These are eaten between draughts and are an essential part of the ritual: they help smother the foul taste of the water! Which is why, apart from those under doctor's orders, most spa-goers make do with just a glass or two.

Or try the waters for sport

Anatol Lieven discovers the delights of activity and relaxation at Hungary's popular Lake Balaton

Hungary may not have great mountains or beaches with palm trees, but what it does have is plenty of water, both cold and hot. The combination of the two makes for a very pleasant and restful weekend within easy driving distance of Budapest - especially if you have children to keep occupied.

Lake Balaton, some 40 miles south-west of Budapest, covers 280 square miles and is the largest freshwater lake in western and central Europe. Some of the best hot water in Europe is in Heviz, near the lake's western end, and home to one of Hungary's most famous thermal springs.

Lake Balaton itself is exquisitely beautiful. Sharply differing depths of water and a very changeable local microclimate mean that the water has an extraordinary range of colours, from an uncannily bright blue to a greenish grey. According to the light, it can resemble a Norwegian fjord or the Bay of Naples.

The swimming and yachting are excellent, though you have to watch out for the storm warnings, even in summer. So is the fishing, especially for giant pike perch, a local delicacy.

Unfortunately, the south shore of Balaton, where the swimming is best, has been turned by uncontrolled tourist development into an almost continual strip of towns, hotels and holiday camps.

For peace and quiet, you have to go to the north shore, where development has so far been better controlled and you can still see large stretches of reeds and woodland.

Several local riding clubs hire out horses for a quiet ride or a longer pony trek. The Káli area, in a bowl of wooded hills, is especially beautiful to wander in. It is still home to wild boar and some ostriches; the latter are being farmed for their eggs and feathers.

In summer, even the north shore is crowded, both with Hungarians and with Austrian and German tourists. It can be difficult to find accommodation, and prices in restaurants soar. It is best to go out of season, from April to June and in September and October, when most of the tourists have left but the weather remains mild.

The shore is dominated by the Witness Hills, great eroded flat-topped basalt stacks of volcanic origin. This is also responsible for Heviz's remarkable thermal

lake, where hot springs bubbling up from an underwater cave keep the temperature at around 30°C throughout the year, and water lilies bloom in January. The high mineral content of the water means that swimmers bob around on the surface like ducks, as in the Dead Sea. Nearby Tapolca has a large underground lake, on which you can go boating under the stalactites.

Heviz has three comfortable four-star thermal hotels, two owned by the Hungarian chain Danubius and one by the Austrian Rogner group. They all have decent restaurants, good swimming pools and offer longer or shorter therapeutic and beauty courses, with plenty of local mud. There are also a host of smaller hotels and pensions.

Close by is Keszthely, where the four-star Helicon Hotel stands on the lake itself. Keszthely is home to the finest man-made sight of the region: the Festetics Palace, formerly home to the Counts Festetics, one of the greatest Hungarian noble families.

This vast baroque mansion was begun in 1745 and has one of the finest libraries in Hungary. The furnishings reportedly survived the aftermath of the second world war intact because an unusually cultivated local Soviet commandant declared that the palace had been infected with typhus and had it quarantined, thereby frightening off his own troops. One side of the gardens is in the French style, the other in the English.

One wing of the Festetics palace is available for conferences and seminars, and a few bedrooms can also be rented. All the main local hotels also have conference facilities.

Near the palace is a much smaller but rarer museum, the Marzipan Museum, apparently one of only three in the world and run by a family of hereditary marzipan makers.

This region produces two notable varieties of wine. Badacsony is famous for its whites, from a light, dry Riesling to Muscatel and the semi-sweet "Grey Monk". Tihany produces reds, especially a smooth and powerful Merlot. Excellent and very cheap vintages are to be found in local restaurants, and can be sampled at the Wine Museum at the former cellars of the Princes Esterhazy in Sziget.

Charm in the north

Graham Bowley tries Germany's coast to sample some bracing air and embrace medieval lore

Anyone visiting Germany's business capital, Frankfurt, who is suddenly possessed of an itch to travel should head to the airport, fly to Hamburg, pick up a car and head north.

The refreshing green fields of Germany's northernmost state, Schleswig-Holstein, littered with dairy farms and their black and white freesian cows, will open up around.

From this vantage point the traveller can reach Schleswig, a quiet town built around water, and the nearby coast which offers surprisingly good beaches and the somewhat refreshing waters of the Baltic Sea.

Eckernförde, a pretty seaside town just a few miles from Schleswig, offers the sometimes comical sight of sun-seekers on the crowded sands lurking in the army of small wooden huts to shelter from the brisk winds.

Just down the coast from Schleswig is Kiel, Schleswig-Holstein's capital, which is a busy and interesting city dominated by the sea and with some beautiful churches.

Even more of an attraction

for the visitor should be Lübeck, about 80km south of Kiel on the return journey to Hamburg.

Lübeck was known as the Queen of the Hanseatic League for its role as the capital of the band of towns which, ruled trade on the Baltic Sea from the 12th to the 16th century. It is a mediaeval town of open market squares filled with stalls and music, ancient churches and towers.

Since Germany is a nation of almost fanatical car-lovers which prides itself on the efficiency of its gleaming vehicles and the extent of its speedy autobahn, a motoring trip such as this is perhaps the best way to see and enjoy this big country.

Another destination for the inquisitive driver, but one which is closer to Frankfurt, is Heidelberg, in the state of Baden-Württemberg.

Heidelberg is an affluent city huddled on the hills either side of the river Neckar, and it is home to one of the oldest and most famous universities in Germany. Its chief attractions include the old, half-ruined castle, as well as its beautiful



Weimar: once home to some of Europe's greatest artists, musicians and thinkers

Photo: Robert Harding Picture Library

ful university buildings and bridges.

But while the car offers easy access to the delights of Germany, other travellers might prefer the pleasures of journeying by train.

One recommended rail journey from Frankfurt takes the traveller east over what was once the border between West Germany and

the German Democratic Republic to Weimar.

Weimar is probably best known outside Germany as the city which gave its name to the 1919-1933 German Weimar Republic. This is where the republican constitution was drafted after the first world war. But Weimar also has an impressive cultural tradition. The list of Europe's greatest artists, musicians and thinkers who made city their home for at least part of their lives is astonishing - and evidence of their lives and works can still be seen.

Lucas Cranach the Elder, Johann Sebastian Bach, Friedrich Nietzsche, Vasili Kandinski and Paul Klee all lived here; the Bauhaus movement, which laid the foundations for modern architecture, was active in the city from 1919 to 1925.

A short walk around the city's pleasant streets and market places leads the visitor past monuments to Johann Gottfried von Herder, the 18th century poet, critic and philosopher, past the crooked house where Friedrich Schiller lived, and finally past the grand home of Weimar's most famous and most celebrated citizen, Johann Wolfgang von Goethe, creator of "Faust". Goethe's home has been turned into a museum.

As is the case in virtually the whole of eastern Germany, Weimar has been supported by generous flows of funds from the richer western half of the country. The result has been that in just a few years sooty, run-down buildings which were hidden behind the grime of the communist era have been transformed into splendidly coloured examples of great architecture.

But alongside its important cultural past Weimar has significant historical legacies.

The period of National Socialism is more evident in

Weimar than in most other towns in Germany, since it was here, in the woody hills just a few miles outside the city, that the Nazis built Buchenwald, one of their most notorious concentration camps. What is left of the camp is open to visitors.

More than 250,000 people were held captive in Buchenwald between 1937 and the end of the second world war in 1945; more than 50,000 of the prisoners died during this time.

After the war, the victorious Soviet army used the camp for its own purposes, internment alleged anti-communists and former Nazis

and working several thousands of prisoners to death.

Weimar has been chosen to be Europe's city of culture in 1999, and this might provide a good opportunity to visit the city.

The town's leaders intend to use the year of culture to remind people both of the glories and of the horrors of the past. They want to point out that perhaps no other German city, with the possible exception of perhaps Berlin and Potsdam, has seen so much of the ups and downs of German history. They insist that Buchenwald will not be ignored during the festivities.

OPEN DOORS. OPEN HEARTS. OPEN MINDS. Visitors to Hungary experience friendliness and cordial hospitality all along, also in the capital situated on the banks of the river Danube. Between the two parts of the city there is the spectacular bridge of the Danube with graceful bridges above, connecting Buda and Pest. Budapest is one of the cultural centres of Europe. In its many museums, galleries, concert halls, in one of the most beautiful opera houses of the world and at the festivals that follow one another through-out the year everyone can find something to their liking. Wherever you come from, you encounter beautiful hospitality in Hungary. One of the thousand faces of Budapest will certainly be yours.

Budapest is considered to be one of the most beautiful metropolises in the world.

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Business management

Briefly

It's time to commission a study

Moves by airlines to alter their payments to agents may have a profound effect on companies' travel bills. Amon Cohen reports on how the industry is reacting

If you have not renegotiated with your business travel agent and preferred airlines in recent weeks, do so now. Big changes are convulsing corporate travel and are set to accelerate.

The transformation has been made by airlines cutting the level of commission they pay, especially in their home markets, to travel agents for ticket sales.

British Airways became the latest carrier to do last month, reducing commission in the UK to 7 per cent. The previous level was 9 per cent for international flights and 7.5 per cent for domestic departures. There have been similar moves by airlines in the US, the Netherlands, Germany and Scandinavia.

Corporate clients are affected directly. Many larger companies have a management fee arrangement with their agent, whereby the agent passes on all commissions and bonuses to the client in return for a service and consultancy fee.

For such clients the cuts

in commission are a direct price rise. For clients who let their agent keep the commission – although normally some is passed on in the form of a rebate – there will be changes, too. Few agents earn as much as 2 per cent profit and cannot afford to absorb the cuts.

BTI Hogg Robinson is a typical example of how agents have reacted. Its Scandinavian subsidiary has introduced a three-tier system of charging clients. Larger customers are already on a fee basis or are being urged to switch to it. Medium-sized customers (with an annual airline spend of SKr200,000 to SKr500,000) are being charged a subscription fee of 1.2 per cent for all the services they formerly received free of charge. These could include ticketing, provision of management data and ancillary service such as passport and visa procurement. The smallest clients, with no requirement for anything other than an ordinary ticket, are

being charged a handling fee of SKr50 per transaction.

In the UK, where rebating has been much more common, Hogg Robinson is simply deducting 2 per cent of the rebate it passes on to its clients for BA sales. However, such clients are in the minority – 64 per cent of Hogg Robinson's turnover is now fee-based.

Whether on commission and rebate or management fee, Hogg will attempt to claw back losses for customers by passing on new bonuses. BA has accompanied its cut in commission with an incentive scheme that rewards agents for incremental business.

Meanwhile, other airlines have spotted an opportunity to take business off BA. British Midland is offering a 2 per cent bonus if agents increase their international volume by 20 per cent, while Emirates has increased its commission by 1 percentage point to 10 per cent.

UK corporate clients are grasping the chance to

switch from BA, says Tony Hughes, managing director of P&O Business Travel and chairman of the UK's Guild of Business Travel Agents. "There is an element of BA losing business because clients feel they are being bullied into accepting this increase," he says.

"This is especially true beyond south-east England, where business travellers are usually most cost-conscious and have to change flights somewhere. They are happy to fly via another airport, such as Amsterdam, instead of using BA."

However, as Mr Hughes acknowledges, it might be difficult to switch a company's entire business from the home carrier. And the new incentives are not necessarily good news for corporate clients, who may have to be wary of agents steering travellers towards certain airlines for their own good rather than that of their customers.

Earl Foster, the US-based president of the Association

of Corporate Travel Executives, has been working in an environment of reduced commissions for the past three years, latterly as director of global travel for Joseph Seagram. The solution, he says, is to avoid commissions all together. Companies need firstly to take control of the agency relationship. "Make sure the agent works for you by putting it on a fee-based relationship so that it is not dependent on commission, which is such a small part of the picture anyway."

Instead, says Mr Foster, the client and agent should work together on more ambitious strategies for keeping down costs.

Many agents are now willing to link their profit on an account to meeting commitments to service and saving. Clients should then turn attention to removing commission from their arrangements with airlines, negotiating net fares that are much simpler and therefore – in theory – much cheaper.

Net fare deals are becoming increasingly common in the US and are just starting to happen in Europe, says Mr Foster, who believes commissions will eventually disappear completely.

Dan Brewin, BA's sales manager for the UK and Ireland, says: "In the longer term the probability is that percentage commissions are not the way forward. A fixed payment for the cost of a transaction would be, but that is not on my agenda at the moment. I would be happy to see a business-to-business relationship develop between us and corporate clients, and for them to be recompensing agents."

That is already happening in Scandinavia, where SAS and its rivals have cut commission for flights within the region to 5 per cent. It has also started offering net fares directly to larger clients in Norway, and is airing proposals to disband the commission system completely.

Gatwick is UK's timely airport

Flight delays have continued to worsen at UK airports. In the third quarter of last year, only 72 per cent of scheduled services got away on time, compared with 78 per cent in the corresponding period of 1996, and the average hold-up lengthened from 10 to 12 minutes. Travellers on domestic and European routes bore the brunt of this deterioration, says the Civil Aviation Authority.

The aviation exception was London's Gatwick, which has mounted a campaign aimed at speeding up its operational performance. Though passengers are still at greater risk of being kept waiting there than at any other leading British airport, some benefited from a fall in the number of flights leaving late and a reduction in the average delay.

Roger Bray

Safety move

Travellers are now being matched with their bags on all US domestic flights in a move to tighten security. The system, which is designed to ensure no luggage is carried unless the passenger is on the aircraft, already provides a check for international departures. But until the start of this year it was applied to only a limited number of flights within the US.

Roger Bray

BT rings call for change

Hotels should show their telephone rates in rooms, just as they do in their price lists, says BT, which would like you to use its Chargecard. But it's a thought, despite the company's ulterior motive. The hotel industry has long been made aware of profiteering by marking up phone prices. And researchers can make up to 400 of them in 11 countries on 100 business trips. The greatest difficulty, making sure the rates are in the guide, is that they are not always in the same format. The company claims that rates pay an average of 70 per cent more than the UK standard of £15 against £2.50 if they dial straight out on the bedroom phone.

Roger Bray

Softel in Big Apple

Work Star's first attempt on the Softel's first hotel in New York. Due to open in 2000 at a cost of some \$90m, it will have 400 rooms – including 60 suites on 30 floors. The hotel, which will also incorporate a fitness centre, will have a facade on 4th Street, between 5th and 6th Avenue in the heart of Manhattan.

Roger Bray

Pubs earn Michelin praise

Being a Michelin star in Britain's pubs is no mean feat. The Michelin Hotel and Restaurant Guide to Great Britain and Ireland (£12.99). More than 140 pubs offering quality food are included in the guide, and are awarded a new beer glass and a Michelin star. Although pubs have been in the guide before, it is the first time they have received their own category. Of the more established awards, the Michelin stars show that culinary skills in the region remain strong. Four restaurants have retained their status as exceptional establishments (excellent cooking, superb service) and 18 one-star (very good restaurant) establishments.

Ian MacDonald

Four Seasons in Lisbon

The Four Seasons group has taken over management of the 240-room Carlton Hotel in Lisbon. The 240-room hotel, which opened in 1997, has been undergoing a major refurbishment including the expansion of the health club and business centre.

Roger Bray

Online air courses

According to Marketing 121 guru Don Peppers, recent research has shown the global online travel market is set to grow to almost \$7.5bn by 2001.

Peppers says that travel counselling is one of those services that is ideally suited for customisation and the creation of learning relationships, and he believes the online travel services providers who will prosper will be those who support this in one-to-one principles when dealing with their customers.

He says the travel industry will be "utterly transformed" in the next few years by web-based services such as Travelocity (www.travelocity.com), Microsoft's Expedia (www.expedia.com) and Priceline Travel (www.priceline.com).

Stephen McGovern

Knap goes online

What is billed as the UK's largest internet-based travel resource has been launched by Knap Online, the new media arm of the large British publishing company.

The site, www.knaponline.com, has a wide range of features including access to the flight arrival information for eight major UK airports, supplied by BAA.

There are also links to pages providing flight departure and expected arrival times from airports all over the world, while another section offers price comparisons and ordering facilities for UK package holidays and holiday flights. Very attractive deals from UK agents are also included.

Stephen McGovern

Traveller's tales

Forget the loyalty and trimmings

Sensible planning can take some strain out of travelling. A high-mileage executive talks to Ian MacDonald

Mention "travelling on business" to many people and they conjure up a picture of someone travelling in style – in at least business class – staying at some of the world's finest hotels, and generally enjoying the good things in life at someone else's expense.

In many cases, this may well be true. And for someone who spends an extraordinary amount of time in aircraft and working abroad, it is reasonable to assume that he or she would expect these "perks" as some compensation for having little home life.

Enter Grant McFarlane, a 28-year-old telecoms executive who is likely to turn up his nose at a proffered business class ticket, has no time for loyalty schemes, and actually enjoys travelling through Europe's busiest airport, London's Heathrow.

Mr McFarlane does not fit the template of traditional business traveller. Forget New York, Milan, Singapore or Sydney. You are far more likely to find this highly sociable Scot musing over a Bloody Mary about his latest escapade in remote Turkmenistan or Ethiopia.

"I tend to break the so-called 'rules' of business travel," says Mr McFarlane, the business development manager of UK-based Case Technology, an independent wide area network (WAN) product manufacturer. "For

one thing, I actually like to talk with people on planes. It's amazing how many people can sit next to a stranger for hours and barely say a word. In every person there is something I can learn... something I can try to understand, even if their views seem alien to me.

"But if my aircraft neighbour is not one for talking I'm happy to have a good read. Or I just use the time for that rare commodity, thinking."

After three years in his current job, which involves two to three weeks of travel most months of the year, Mr McFarlane has established some useful routines for smoothing the way.

"I always try to fly economy," he says. "Because I tend to fly on Tuesdays and Thursdays – generally the quietest days for air travel – I find that I can actually have more space in economy than in business. In business you might have a few more inches of leg room, but there's unlikely to be a spare seat next to you. Often I've found myself the only occupant of a row of four economy seats – and that allows me to stretch out quite comfortably on a long flight."

"I don't belong to any frequent flyer clubs. When I did, I found it – or rather the company – was paying expensive fares, flying on days and routes that didn't really suit me, just to collect the air miles."

For someone who visits



Grant McFarlane: "It's easy to forget civility. I've learned to be more tolerant, to have more patience"

Photo: Ian MacDonald

remote, developing regions, actually finding a flight can present a fistful of problems. "Some of the places I go to are not served by lata airlines, so arranging insurance can sometimes be difficult. Some of the former Soviet republics can make the hair on the back of your neck stand on end. Often there's no seat reservations, the aircraft can be, how shall we say, ancient. One trip in Crimea was particularly scary. We were in a very old, rickety bi-plane that was getting bounced around. The catering was a problem; the orange squash finished up all over the place."

London's Heathrow may not be many people's favourite airport, but for Mr McFarlane it offers most of what he could wish for. "It's fairly close to my home at Harrow on the Hill. Lots of people complain about the traffic jams in the Heathrow area, but I now know all the

back routes so I can be in and out very quickly. And it offers services to most places in the world."

And his least favourite airports? "Oh, Johannesburg's Jan Smuts, without a doubt. It's the world's worst... very inefficient." That criticism comes after not just a visit or two, but after having lived and worked in South Africa for three years before moving to his current Watford base north of London. "And I also hate any airport that either has no trolleys or not enough."

But Mr McFarlane is quick to admire efficiency, and he praises the UK government's department of trade and industry (DTI). The first-time traveller to conventional places can easily pick up a book or such like to learn about the place," he says. "But there simply are no books for many of the places I go to. That's where the DTI comes

in. The people there are phenomenally helpful. I usually try to speak to the commercial manager for the area I'm going to visit. They're a wonderful source of information, and they help to fix up meetings, arrange translators and explain local customs."

Being aware of local customs is a vital part of business diplomacy. "I remember being in Hungary once and saw an Englishman tap his hosts' beer glasses with his own as he said 'Cheers'. That was a mistake because that gesture reminds Hungarians of a 19th century dispute with Austria. It is the sort of mistake that can lose a contract."

Tips for fellow-travellers? "Well, it's easy to forget civility. In some places, which perhaps are less efficient, I've learned to be more tolerant, to have more patience. It pays off. "When it comes to packing

I'm not very efficient. I try to take non-iron creaseless clothes, but I never take enough shirts."

How does this son of a Clydebank welder and absent Glasgow Rangers soccer supporter relax?

"I don't really have any hobbies. When I get back from a trip I like to relax by seeing my father and my sister, to read, to listen rather than talk, which I do a lot of in trying to win contracts. And reading – and occasionally writing – poetry. His favourite, and one he says he reads very frequently, is William Blake's *Auricles of Amos*. "I especially love the first four lines," he says: *To see a world in a grain of sand, And a heaven in a wild flower – Hold infinity in the palm of your hand, And eternity in an hour.* "That embodies everything to me," he says.

Don't worry. There'll be another



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